

**Fifth Edition
January 2003**



Research Department
Minnesota House of Representatives
600 State Office Building, St. Paul, MN 55155
651-296-6753

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January 2003**

**Minnesota
Data Book
for
Legislators**

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Thomas Todd, Director

The Research Department is the research and legal services office of the Minnesota House of Representatives. It is a nonpartisan office serving the entire membership of the House and its committees. The department conducts legal and policy research, collects and publishes information for use by House members, and assists members and committees in developing, analyzing, drafting, and amending legislation.

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Introduction

Welcome to the fifth edition of the Minnesota Data Book for Legislators. This book is a collective effort by House Research to provide legislators with important factual information about Minnesota.

Using the most recent data available, the data book provides details about such items as the state's population, the number of people the state employs, and how state revenues are allocated. Designed as an easy reference to state information, the book is divided into four major sections: demographic and economic data; government organization and employment; government finance; and major government functions and services. Please refer to the table of contents on the following page for a more detailed list of what's covered in each section. Also refer to the index at the end of the book.

The data book is also available with supplementary information on our web site (www.house.mn/hrd/hrd.htm).

We hope you find the 2003 Minnesota Data Book for Legislators to be a valuable resource.

Contents

Demographic and Economic Data.....	7
Government Organization and Employment.....	15
State Executive Branch	17
State Judicial Branch.....	19
State Legislative Branch	21
Metropolitan Government.....	22
Local Government.....	24
Minnesota Public Pension Plans	26
Government Finance	27
Total State Spending and Revenues, All Funds	29
Taxes	31
Government Debt	43
Major Government Functions and Services.....	47
K-12 Education	49
Higher Education	56
Family Assistance	62
Corrections	74
Transportation	78
Agriculture	82
Natural Resources	85
Pollution Control.....	88
Public Facilities Authority	91
Index.....	93

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Demographic and Economic Data

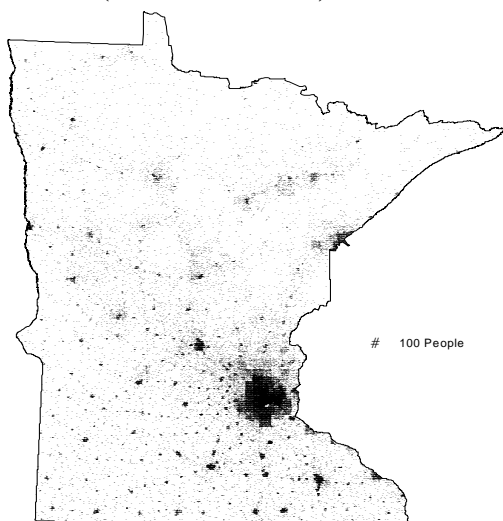
Minnesotan 2000 Population Profile

Age	Under 20	20-64	65+
Total	1,434,845	2,890,368	594,266
White	1,246,432	2,639,958	579,935
African American	91,533	105,484	5,955
American Indian & Alaska Native	35,075	42,695	3,304
Asian & Pacific Islander	74,005	88,481	5,795
Some other race	38,278	48,973	1,791
Hispanic	61,635	78,644	3,103

Note: Figures for racial categories do not sum to the total because the 2000 census allowed individuals to identify themselves using more than one racial category. Hispanic-origin persons can be of any race.

Source: U.S. Census Bureau

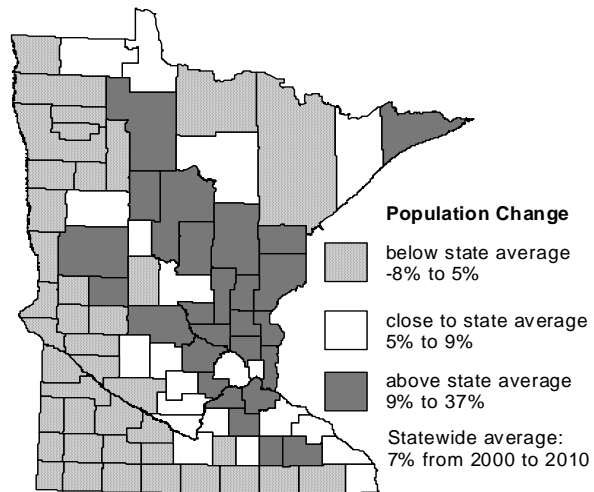
Minnesota Population (5.0 million in 2001)



Ten Most Populous Cities in 2001

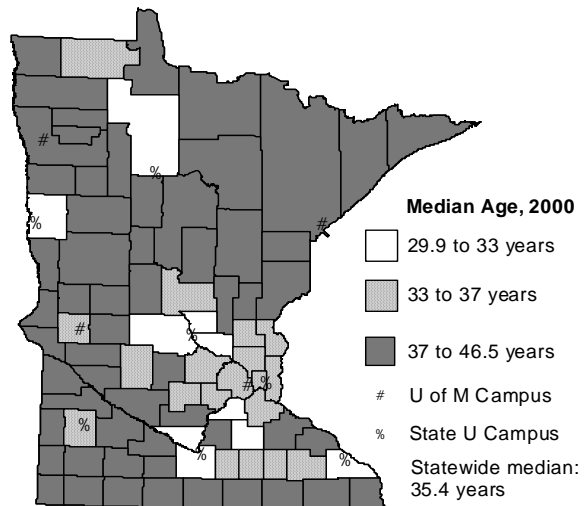
Minneapolis	382,446	Brooklyn Park	68,070
St. Paul	287,260	Plymouth	66,675
Rochester	89,325	Eagan	64,300
Duluth	86,125	Coon Rapids	61,800
Bloomington	85,285	Burnsville	60,434

Estimated County Population Change 2000-2010



Source: Minnesota Planning

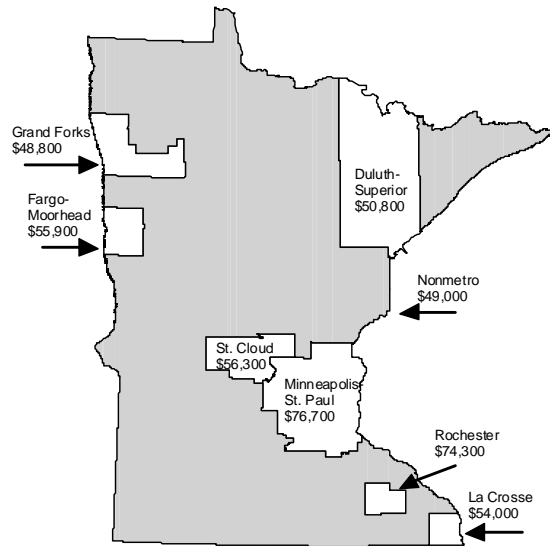
Median Age by County, 2000, and Public 4-year Universities



Source: U.S. Census, 2000

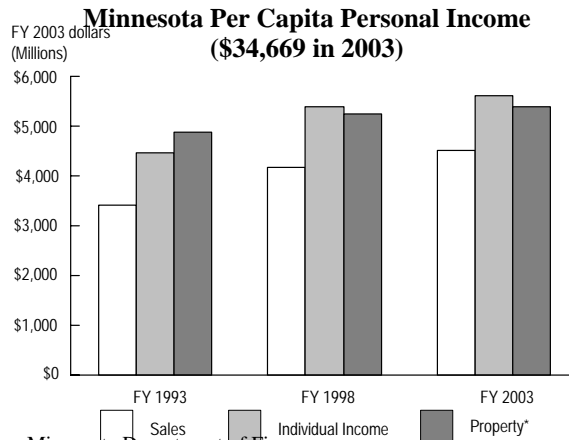
Median age is typically lower in counties with a public four-year university.

Median Family Income for Metropolitan Areas 2002



Source: U.S. Department of Housing and Urban Development

“Family income” is defined as the total income from all sources of a family of four as reported in the 1990 U.S. Census and adjusted to 2002 levels using Bureau of Labor Statistics earnings and employment data and census median family income data.



Source: Minnesota Department of Finance

*Includes statewide property tax

Nonfarm Employment Growth by Industry, 1996-2000
(10.2% growth; 2.6 million jobs in 2000)

Type of Industry	Number of Jobs in 2000	% Change from 1996
Goods-Producing	593,205	8%
Agriculture, Forestry, Fisheries	26,574	22
Mining	7,224	-8
Construction	119,388	34
Manufacturing:	440,019	3
Durable Goods	260,659	6
Nondurable Goods	179,360	-2
Service-Producing	1,666,552	12%
Transportation and Public Utilities	129,246	14
Trade:	632,330	7
Wholesale	155,691	5
Retail	476,639	7
Finance, Insurance, and Real Estate	161,360	14
Services:	743,616	16
Consumer Services*	139,169	8
Professional and Business Services**	604,447	18
Government	348,238	6%

* Includes hotels and lodging; personal services; auto repair, services and painting; miscellaneous repair services; motion pictures; and amusement and recreation

** Includes business, health, legal, educational, engineering, management, and other services and membership organizations

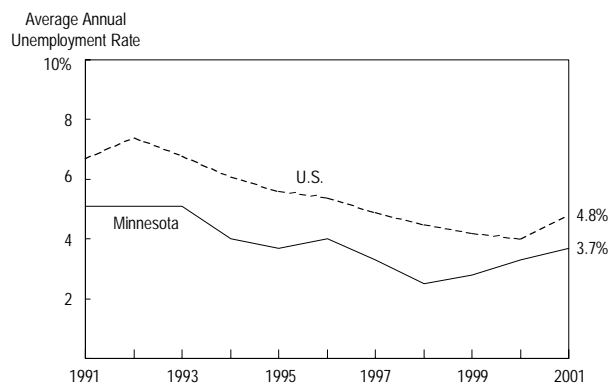
Source: Department of Economic Security

Gross State Product by Industry
(\$184,766 million in 2000)

Sector	\$ in millions
Goods-Producing	\$46,036
Agriculture, Forestry, and Fisheries	3,318
Mining	684
Construction	9,575
Manufacturing	32,459
Service-Producing	\$120,386
Transportation and Public Utilities	13,842
Wholesale and Retail Trade	31,624
Finance, Insurance, and Real Estate	35,354
Services	39,566
Government	\$18,344

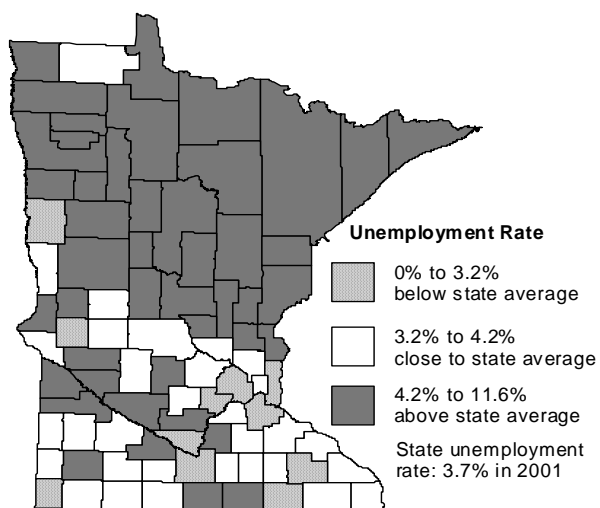
Source: U.S. Department of Commerce

Unemployment Rate **(MN: 3.7% in 2001; U.S.: 4.8% in 2001)**



Source: Department of Economic Security

Unemployment by County, 2001



Source: Bureau of Labor Statistics

Government Organization and Employment

State Executive Branch.....17

State Judicial Branch19

State Legislative Branch.....21

Metropolitan Government22

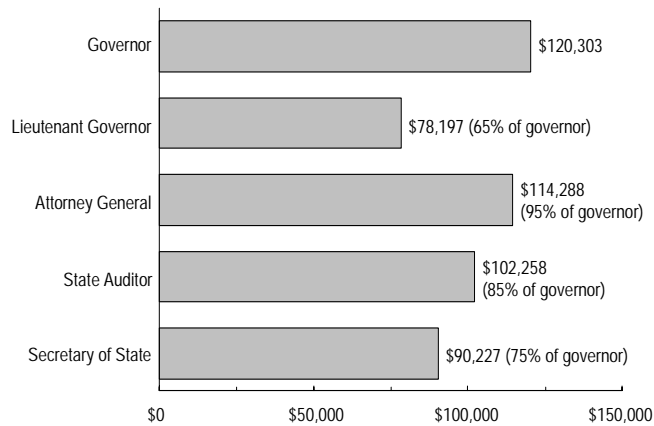
Local Government24

Minnesota Public Pension Plans.....26

State Executive Branch

Salary of Elected Constitutional Officers, January 2003

Salaries of constitutional officers are set in law as a percentage of the governor's salary.



Major State Departments

- Each department is headed by a commissioner appointed by the governor.
- Most commissioners' salaries are \$108,400.

Administration and Finance

Administration
Employee Relations
Finance
Revenue
Strategic and Long-range
Planning

Environment

Natural Resources
Pollution Control

Public Safety and

Transportation

Corrections
Military Affairs
Public Safety
Transportation

Business and Employment

Agriculture
Commerce
Economic Security
Labor and Industry
Mediation Services
Trade and Economic
Development

Education, Health, and

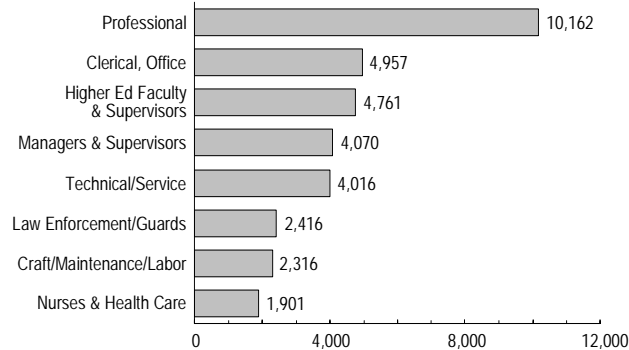
Human Services

Children, Families and Learning
Health
Human Rights
Human Services
Housing Finance
Veterans Affairs

Other Executive Branch Agencies

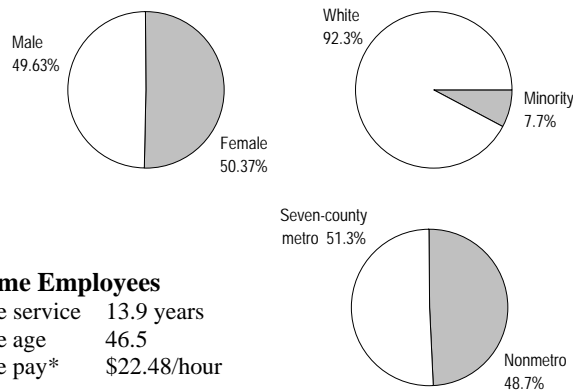
- There are more than 100 boards, councils, commissions, and task forces, including about two dozen occupational licensing boards.
- Most of these groups are advisory to a major state agency.

Full-time Executive Branch Employees (35,827 in July 2002)



(Does not include 14,000 part-time or temporary employees or 1,238 employees who cannot be allocated to any of the occupational categories)

Characteristics of Executive Branch Employees (includes part-time and temporary employees as of July 2002)



Full-time Employees

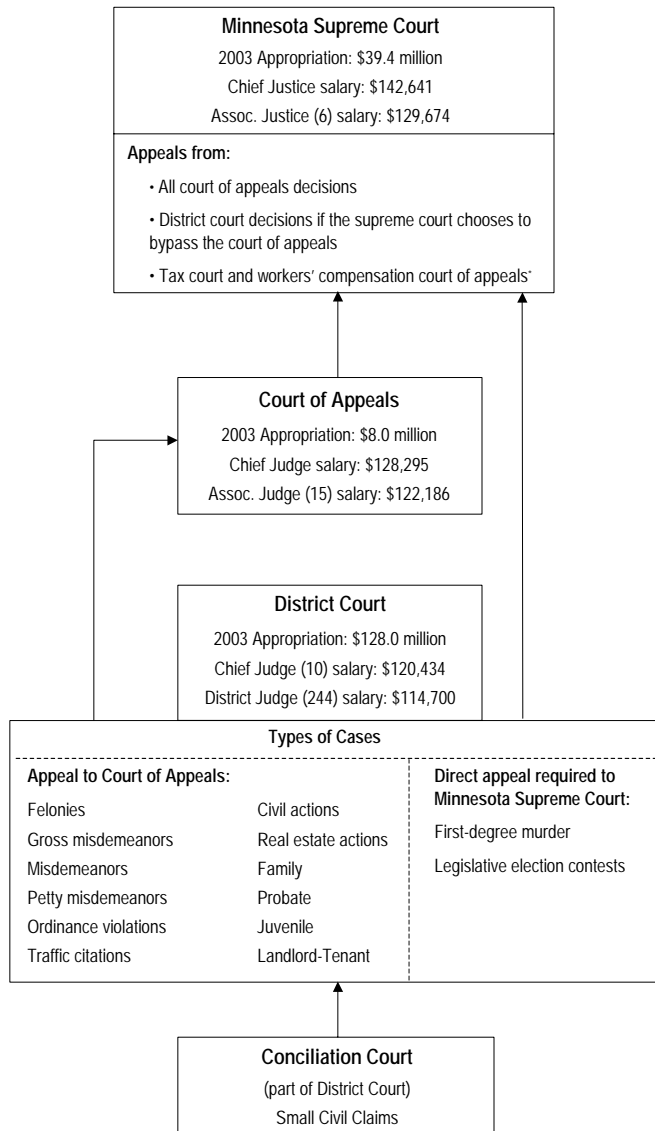
Average service 13.9 years
Average age 46.5
Average pay* \$22.48/hour

* Does not include MnSCU Faculty

Source: Department of Employee Relations

State Judicial Branch

State and Local Funding, Employees, Jurisdiction (\$175 million in state funding, FY 2003)



* Tax court and workers' compensation court are executive agencies outside the state court system.

Judicial Branch Employees

There are 2,463 state employees of the appellate courts, district courts, and judicial agencies, including judges.

In addition, counties provide and maintain facilities and fund many positions that staff the district courts. According to Minnesota Supreme Court data, counties fund 28% of the total cost of the state judiciary. Legislative policy in recent years has been to increase the state's proportion of funding of the judicial system with the state, rather than the counties, funding all costs of the judiciary by 2006.

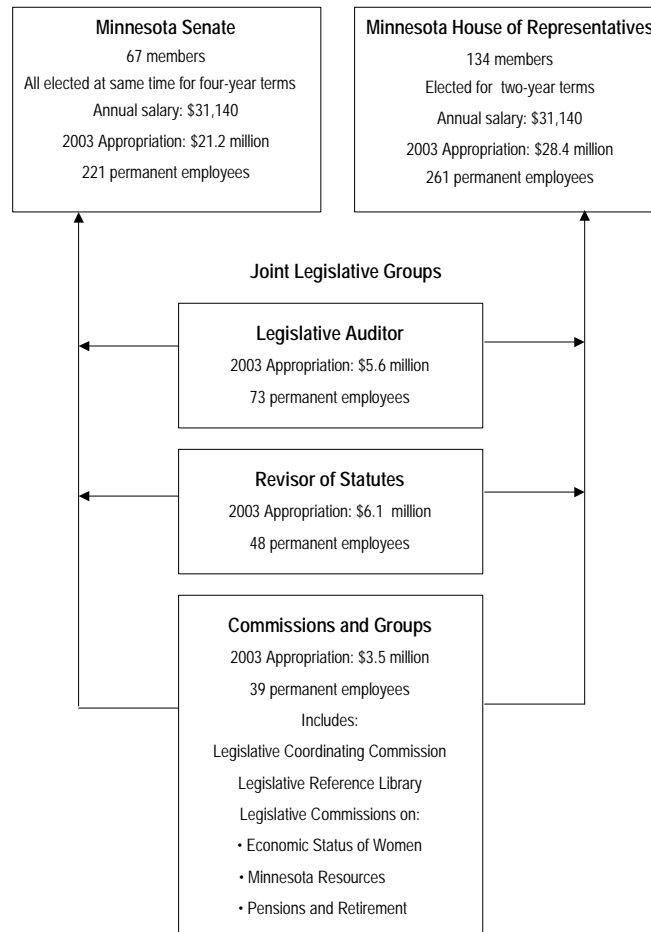
Public Defense System

Total state appropriations 2003: \$53.6 million

- The Board of Public Defense is located in the judicial branch but is not under the authority of the Minnesota Supreme Court. It oversees the state public defender (who handles appeals) and the district public defenders (who do trial work).
- There are approximately 460 full-time employees and 240 part-time attorneys in the state public defense system.

State Legislative Branch

201 Legislators
\$64.8 million Appropriation in FY 2003
642 Permanent Employees



Legislative districts are redrawn every ten years following the U.S. Census. After 2000 redistricting, each House district represents approximately 36,700 people, and each Senate district, 73,400.

Metropolitan Government

In the seven-county Twin Cities metropolitan area, the legislature created regional agencies to fulfill specific functions.

Metropolitan Council

- 16 members from districts and a chair from the metropolitan area at large, all appointed by the governor
- Plans and coordinates development of region; provides transit and wastewater collection and treatment services

Metropolitan Parks and Open Space Commission (MPOSC)

- Eight members from districts and a chair, all appointed by Metropolitan Council
- Advises and assists council in planning the regional parks and open space system

Transportation Advisory Board (TAB)

- Chair appointed by council, 32 other voting members who are a mix of local elected officials, citizens, modal and agency representatives, and one nonvoting member (council liaison)
- Responsible for the Transportation Improvement Program that governs federally funded transportation projects in the metro area

Metropolitan Airports Commission (MAC)

- Eight members from districts, four members from Greater Minnesota, and a chair, all appointed by the governor, plus one member each from Minneapolis and St. Paul
- Owns and operates Minneapolis-St. Paul International Airport and six other airports in region

Metropolitan Sports Facilities Commission (MSFC)

- Six members appointed by Minneapolis City Council and a chair appointed by governor
- Owns and operates the Metrodome

Metropolitan Mosquito Control Commission (MMCC)

- 17 members; all county commissioners appointed by their respective counties
- Monitors and controls mosquitoes, disease-vectoring ticks, and black gnats in the Metropolitan Mosquito Control District

Metropolitan Agency Budgets, 2003

	Percent of Revenue Sources				
	Property Taxes*	User Fees	State	Federal	Other
Agency Expenditures (proposed CY 2003 for operating, debt service, and passthrough)					
Metropolitan Council (\$582.1 million)					
Regional Admin. Policy Alignment and Development and HRA Admin. (\$15.8 million)	66		2	25	8
Transportation Planning and Transit Operations (\$301.3 million)		26	65	8	1
Transit Debt Service (\$26.2 million)	99				1
Sewer System (\$100.1 million)		98			2
Sewer System Debt Service (\$70.9 million)		100			
Solid Waste Debt Service (\$0.4 million)	100				
Parks and Open Space Debt Service (\$6.6 million)	100				
Public Safety Radio Debt Service (\$0.4 million)	98				2
Passthrough Grants and Loans – e.g., housing, parks, RALF, MLCA** (\$60.4 million)	28		18	50	4
MAC Operating Budget (\$171 million)		100			
MAC Debt Service (\$118.9 million)		100			
MSFC (\$12.9 million)		100			
MMCC (\$11.3 million)	100				

* Property taxes include state aids in lieu of property taxes.

** RALF stands for right-of-way acquisition loan fund; MLCA stands for Metropolitan Livable Communities Act.

Sources: Proposed or adopted 2003 agency budgets

Local Government

Counties, cities, and towns represent the three kinds of general purpose local units of government in Minnesota. School districts are the most significant kind of special purpose government unit. Minnesota has about 3,450 local government units.

87 Counties

- Governed by a five- or seven-member elected board of county commissioners
- Structures, powers, and duties are in law, except that Ramsey County is also governed by its county home rule charter

854 Cities

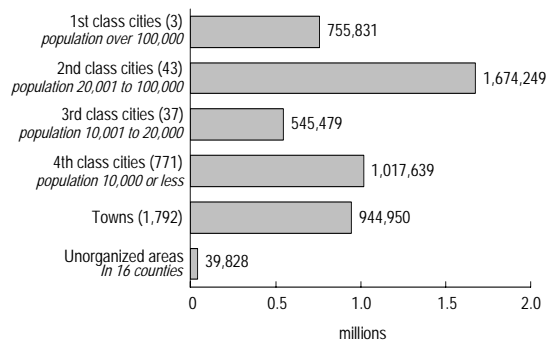
Statutory Cities (747) are organized and operate under the options provided in the statutory city code and other laws.

Home Rule Charter Cities (107) are organized and operate under their individual chapters and other laws.

City boundaries may cross county lines. There are presently 41 cities whose boundaries extend into more than one county.

Cities are also classified based on population as a way for the legislature to provide powers or impose duties as appropriate to cities of a certain size.

Population by Type of Municipality, 2001 estimate



Note: Under statute, cities are classified based on the federal decennial census data. The population data in this graph is from the 2001 estimates of the state demographer. The number of cities and towns has changed since this data was collected.

1,792 Towns

- Hold annual town meetings at which the electors exercise powers granted in law, such as setting the levy
- Governed by a three- or five-member elected board of supervisors
- May exercise “urban” town powers if population is at least 1,000 (216 towns are eligible)

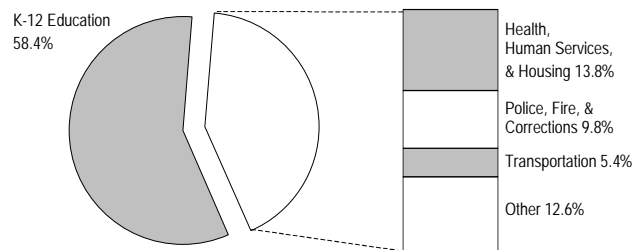
343 School Districts

- Consolidation has eliminated 92 districts since 1990
- Most governed by six- or seven-member elected boards
- Most districts elect at-large board members for four-year terms

Other Special Purpose Districts (about 370)

- Enabling law may be special or general
- Perform a single function (or several functions) as distinguished from general purpose governments
- Examples are drainage, conservancy, hospital, sanitary, park, and watershed districts, HRAs, and municipal power agencies
- Number of districts depends on what elements or characteristics are used in defining a special district
- Governed or administered by a board or commission, appointed or elected (or both) depending on the enabling law for the particular type of district
- Enabling law also determines financing (e.g., whether a district can levy, issue debt, etc.)

Local Government Employees by Function (205,077 full-time equivalent employees, 2001)



Source: U.S. Department of Commerce, March 2001

Minnesota Public Pension Plans

Pension Plan	Active Members	Assets (millions)	Liabilities (millions)
State Employee Plans			
Minnesota State Retirement System (state employees)	49,099	\$7,673	\$7,340
State Patrol	810	591	510
State Correctional Employees	3,249	457	446
Local Government Plans			
Public Employees Retirement Association (local gov't employees, other than police and fire)	137,817	\$11,017	\$12,958
Public Employees Retirement Association (police and fire)	9,940	4,707	3,886
Minneapolis Employees Retirement Fund	836	1,540	1,668
Teacher Plans			
Teachers Retirement Association (teachers and administrators outside of first-class cities)	71,690	\$17,379	\$16,503
Minneapolis Teachers Retirement Association	5,720	1,028	1,660
St. Paul Teachers Retirement Association	4,306	900	1,141
Duluth Teachers Retirement Association	1,276	281	279

Source: Actuarial valuations for June 30, 2002

Other public pension plans:

- Separate plans for legislators, judges, and constitutional officers
- Individual retirement account plans for higher education faculty
- Approximately 700 volunteer firefighter plans

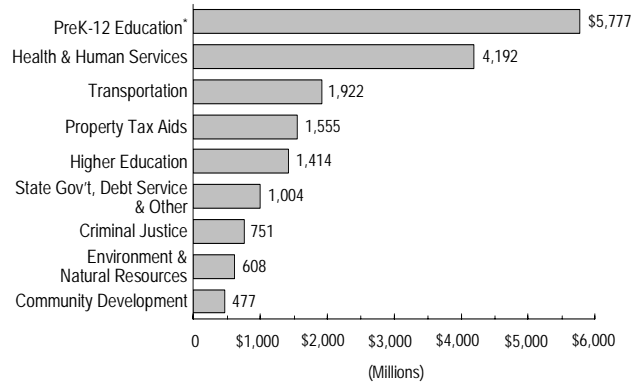
Government Finance

Total State Spending and Revenues, All Funds	29
Taxes.....	31
Government Debt.....	43

Note: The FY 2003 data are from the Department of Finance, November 2002 forecast. Other data are from the Department of Revenue, unless otherwise noted.

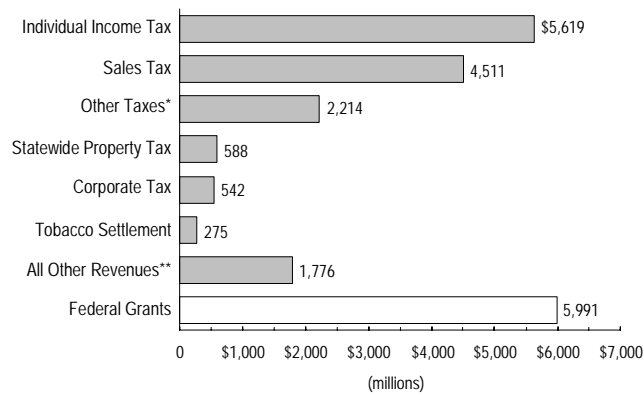
Total State Spending and Revenues, All Funds

Spending, Excluding Federal Funds (\$17,700 million in FY 2003)



* Includes family and early childhood education spending.

Revenues (\$15,525 million, state sources in FY 2003 \$5,991 million, federal grants in FY 2003)

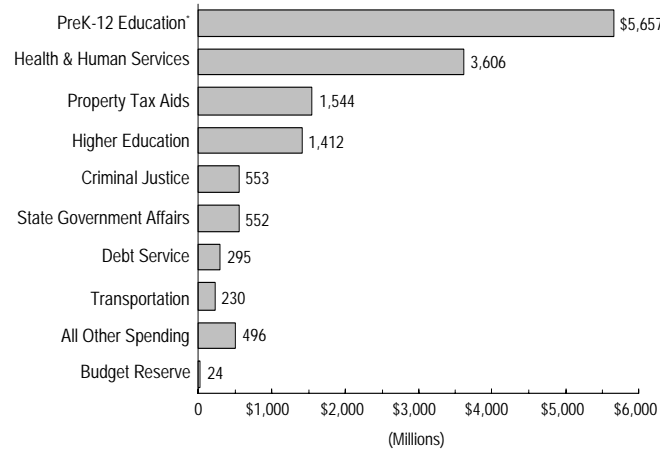


* "Other Taxes" includes taxes on motor vehicle fuels and licenses, cigarettes, and tobacco, insurance premiums, health care providers, mortgage and deed registration, and a variety of smaller taxes.

** "All Other Revenues" includes investment income, MinnesotaCare premiums, and user fees such as hunting and fishing licenses. In addition to the \$15,525 million in state revenues, the state carried forward a balance of \$5,299 million to FY 2003.

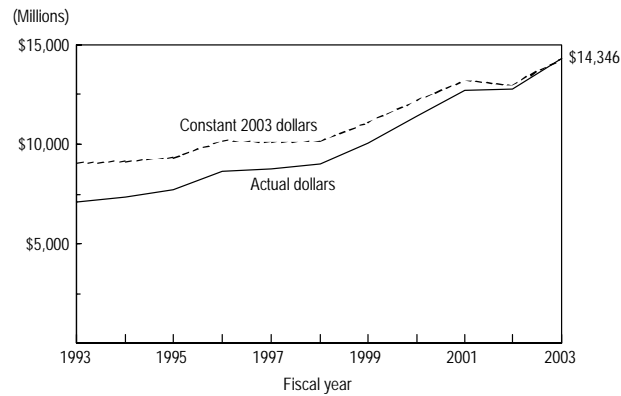
Source: Consolidated Fund Statement and Fund Balance Analysis, Department of Finance

**State Spending, General Fund Only,
excluding reserves
(\$14,346 million in FY 2003)**



* Includes family and early childhood education spending
Source: Fund Balance Analysis, Department of Finance

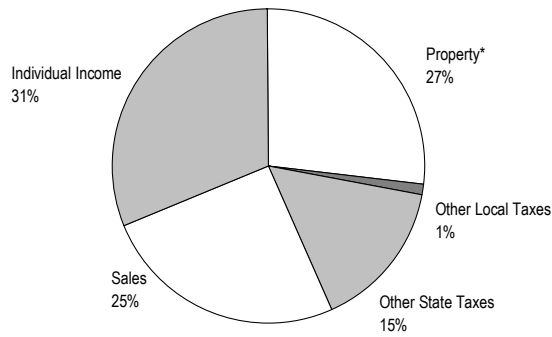
**General Fund Spending*
(\$14,346 million in FY 2003)**



* Excludes general fund appropriations for early childhood learning and child protection facilities (Minn. Stat. § 119A.45) in the capital budget for FY 1998-2001.
Source: Fund Balance Analysis, Department of Finance

Taxes

State and Local Taxes (\$17,890 million in FY 2003)

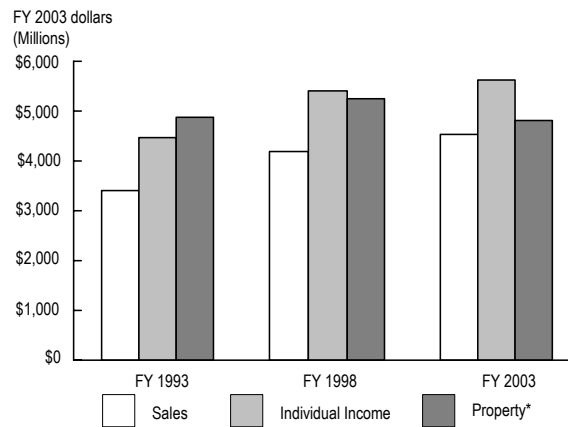


* Includes statewide property tax

Minnesota State Tax Collections (\$13,474 million in FY 2003)

Individual Income	\$5,619	MNCare Taxes	\$208
Sales	4,511	Insurance Premiums	199
Motor Vehicle Fuels	640	Tobacco	186
State Property	588	Estate	122
Corporate Franchise	542	Alcoholic Beverages	63
Motor Vehicle License	488	Gambling	59
Mortgage and Deed	225	Other	24

Income, Sales, and Property Taxes



*Includes statewide property tax

Individual Income Tax

The Minnesota individual income tax uses federal taxable income (income after federal deductions and exemptions) as its starting point.

2003 Tax Rates and Brackets

Rate	Income		
	Married Joint	Single	Head of Household
5.35%	\$0 to 27,720	\$0 to 18,970	\$0 to 23,350
7.05%	27,721 to 110,150	18,971 to 62,300	23,351 to 93,820
7.85%	Over 110,150	Over 62,300	Over 93,820

Note: Head of household filers are single parents with dependents. Income brackets for each rate are adjusted annually for inflation.

Nonrefundable credits:

Marriage Credit **\$60.5 million in FY 2003**

Long-term Care Credit **\$4.9 million in FY 2003**

Refundable credits:

Dependent Care Expenses **\$12.6 million in FY 2003**

- Up to \$720 per dependent for up to two dependents available for filers with income up to \$33,120

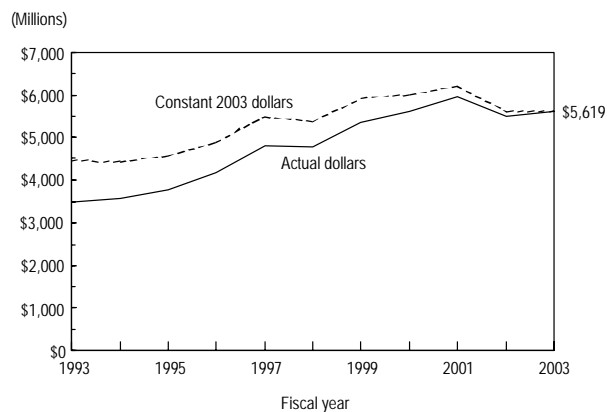
Working Family Credit **\$107.8 million in FY 2003**

- Equals a percentage of earned income
- Maximum credit of \$1,469

K-12 Education Credit **\$17.4 million in FY 2003**

Individual Income Tax Revenues

(\$5,619 million in FY 2003)



Sales Tax

The sales tax is an ad valorem tax imposed on the retail (final) sales of most goods and some services.

General Sales and Use Tax Rates for FY 2003

- General and Motor Vehicle 6.5%
- Liquor, Wine, and Beer Sales 9.0%*
- Motor Vehicle Rental 12.7%*

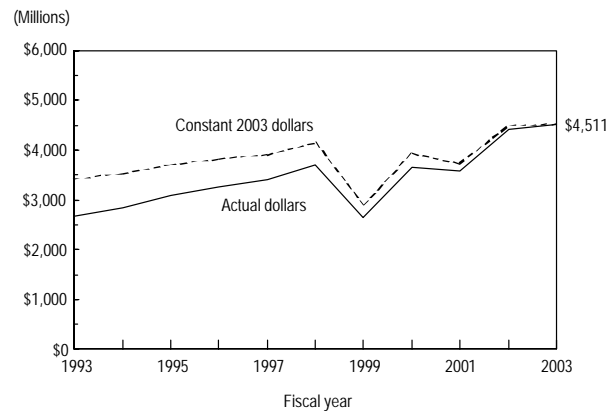
* These rates are reduced to 6.5% for sales after December 31, 2005, in order to meet the one-rate requirement of the proposed Streamlined Sales Tax Model Act. See the local government revenues page for local sales and local lodging taxes.

Major Exemptions

- Clothing
- Most food products
- Prescription drugs and some other medicines
- Most business and personal services
- Gasoline (subject to the motor vehicle fuels tax)
- Farm and logging machinery repair parts
- Capital equipment for manufacturing industries*
- Industrial special tooling

* Businesses must pay the sales tax on capital equipment at the time of purchase and then apply for a refund from the state.

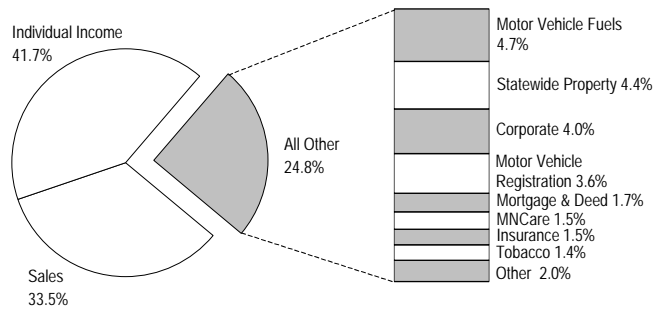
Sales Tax Revenues (\$4,511 million in FY 2003)



Note: Fiscal year 1999-2001 amounts are net of 1999 and 2000 sales tax rebates.

Other State Taxes

Taxes, other than the income and sales taxes, yield a little under 25% of state tax revenues. Many of these taxes are minor revenue sources. Taxes that yield at least 1% of state tax revenues for FY 2003 are described following the graph



Motor Vehicle Fuels Tax

- \$.20/gallon
- Dedicated by constitution to the highway user trust fund

Statewide Property Tax

- Initially set to raise \$592 million in CY 2002; adjusted annually for inflation. Revenue above \$592 million each year is dedicated to education
- Levied against commercial/industrial and seasonal recreational property only

Corporate Franchise (Income) Tax

- 9.8% of federal taxable income after numerous adjustments
- Multistate corporations apportion income under a three-factor formula using Minnesota shares of property, payroll, and sales; the formula weights sales at 75% and property and payroll at 12.5% each
- Most volatile revenue source of any major state tax

Motor Vehicle Registration (License) Tax

- Tax on passenger vehicles is 1.25% of the value, plus a minimum fee of \$10 (total tax cannot be less than \$35)
- Tax is limited to \$189 in the second year of a vehicle's life, and \$99 in the third through tenth years of its life
- Trucks, buses, and other vehicles pay based on weight and age
- Dedicated by constitution to the highway user trust fund

Mortgage and Deed Taxes

- 0.23% of principal debt, paid when mortgage is registered or recorded (mortgage registry tax)
- 0.33% of consideration, due when deed is filed (deed tax)

MinnesotaCare Taxes

- 1.5% of gross revenues tax on hospitals, surgical centers, health care providers, and wholesale drug distributors; the rate increases to 2% on January 1, 2004
- Exemptions for Medicare, Medical Assistance, General Assistance Medical Care, and MinnesotaCare revenues
- Revenues pay for MinnesotaCare program

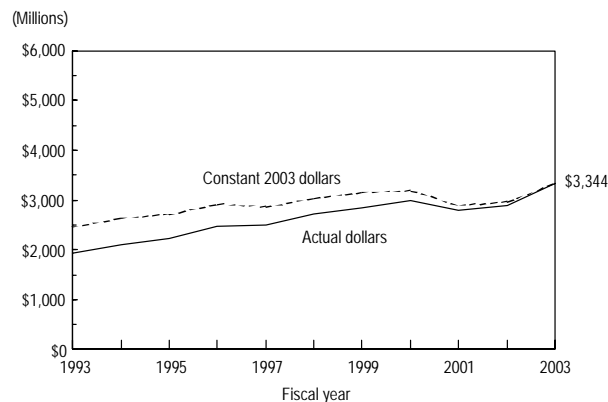
Insurance Premiums Tax

- Basic tax is 2% of insurance premiums
- Mutual property-casualty insurers with 12/31/89 assets of no more than \$5 million, 0.5% rate; \$1.6 billion, 1.26% rate
- HMOs and nonprofit health insurance companies (e.g., Blue Cross) are exempt through calendar year 2003. Tax imposed at rate of 1% beginning in calendar year 2004
- Under a “retaliatory tax” provision, non-Minnesota companies pay tax as if their home state taxes apply when those taxes are higher than the Minnesota tax

Cigarette and Tobacco Products Tax

- \$.48/pack of 20 cigarettes; 35% of wholesale price of tobacco products
- Revenues from \$.02/pack goes to the Minnesota Future Resources fund and the rest to the general fund

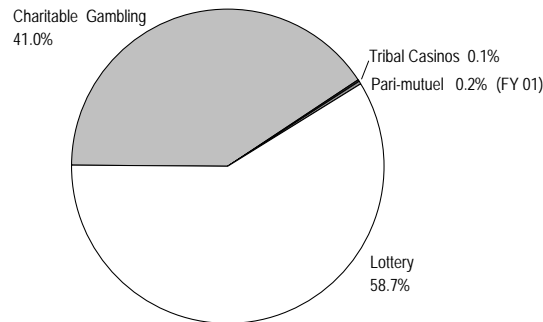
Other State Tax Revenue (\$3,344 million in FY 2003)



Gambling Revenue

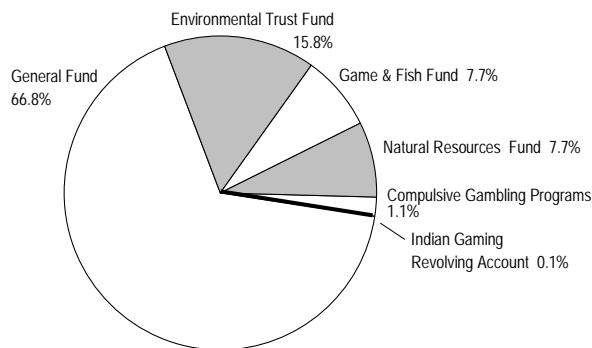
The state receives revenues from three state-authorized forms of gambling: pari-mutuel horse racing, charitable gambling, and the state lottery. The state also receives a nominal sum from Indian tribes that operate casinos; that money partly defrays state expenses in supervising state gaming compacts.

Sources of State Revenue from Gambling
(\$139 million in FY 2002)



The general fund is the largest beneficiary of legal gambling, but 40% of net state lottery proceeds are constitutionally dedicated to the Environmental and Natural Resources Trust Fund. Additionally, most of the revenue from the 6.5% in-lieu sales tax on lottery proceeds is dedicated to the Game and Fish and Natural Resources funds. Revenue from charitable gambling and pari-mutuel taxes and fees is nondedicated and goes to the general fund.

Disposition of State Revenue from Gambling
(\$139 million in FY 2002)



Gambling Taxes

Lawful gambling. The state imposes taxes on charitable gambling in lieu of sales taxes:

- Bingo, paddlewheels, and raffles, 8.5% of gross profit
- Pull-tabs and tipboards, 1.7% of “ideal gross” (potential gross receipts from all tickets in a package, with a refund for unsold tickets)
- Pull-tabs and tipboards, additional “combined receipts tax” of 1.7% to 5.1% of gross receipts, depending on the organization’s annual receipts

Total lawful gambling tax revenue in FY 2002 was about \$55 million.

Pari-mutuel betting. The state tax on pari-mutuel betting is 6% of the “takeout”—the percentage deducted by the racetrack from each pari-mutuel pool before payouts on winning tickets. At Canterbury Park in Shakopee the takeout averages about 20% of total betting. The first \$12 million in takeout is exempt from tax. Total pari-mutuel tax revenue for the 2001 racing season was about \$168,000.

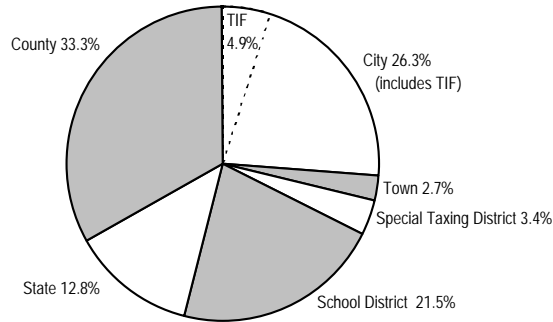
State lottery. A payment by the lottery of 6.5% of gross receipts is made in lieu of the sales tax. This in-lieu tax generated about \$24.5 million in FY 2002. This is in addition to the approximately \$50 million in lottery net profits that are dedicated to the general fund and environmental trust fund. Another \$7.5 million in unclaimed prizes also went to the general fund and to provide compulsive gambling programs.

Indian gaming. Federal law prohibits states from taxing the proceeds of gaming on Indian land.

Property Tax

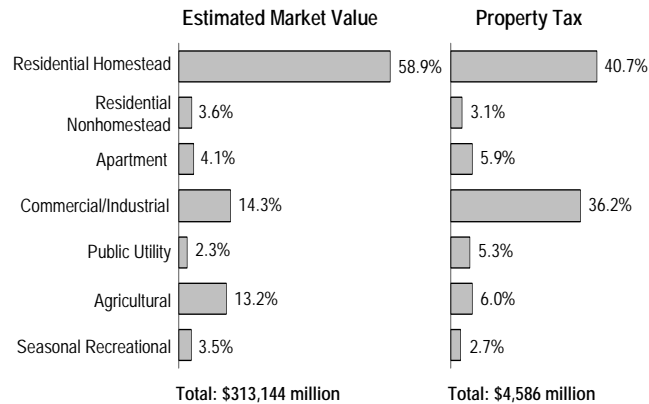
Property tax is a major source of revenue for local governments in Minnesota. Beginning in payable 2002, the state also receives a portion of property tax revenues. Property taxes are levied annually and payable in two installments (May 15 and October/November 15).

Property Tax Levy by Type of Government*
(\$4,586 million in CY 2002)



* Amounts shown are after allocation of property tax credits.

Shares of Market Value and Property Tax by Property Type
(Taxes payable 2002)

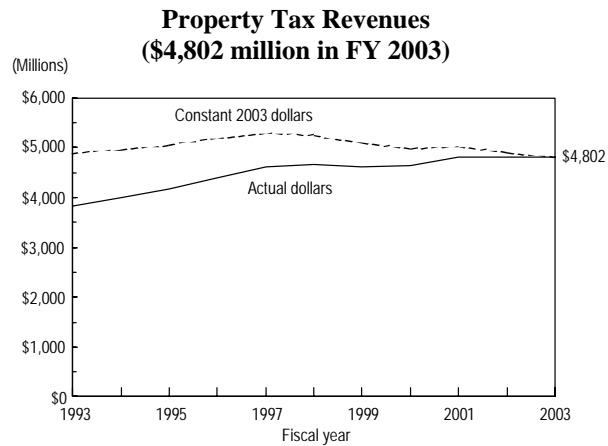


Class Rates for Taxes Payable in 2003

Property Type	Class Rate	Tax Code**
Residential Homestead		
Up to \$500,000	1.0%	R
Over \$500,000	1.25	R
Residential Nonhomestead		
Single-unit		
Up to \$500,000	1.0	R
Over \$500,000	1.25	R
Two- and three-unit	1.25	R
Apartments (4or more units)		
Regular	1.5	R
Low-income	1.0	R
Agricultural Homestead		
House, garage, and one acre (HGA)	*	
Other value		
Up to \$600,000	0.55	
Over \$600,000	1.0	
Agricultural Nonhomestead	1.0	
Seasonal-Recreational-Residential		
Up to \$500,000	1.0	S
Over \$500,000	1.25	S
Commercial/Industrial/Public Utility		
Electric generation machinery	2.0	R
Other		
Up to \$150,000	1.5	S, R
Over \$150,000	2.0	S, R

* Same as residential homestead

** Tax Codes: S = Subject to state tax; R = Subject to operating referenda (all property is subject to school bond referenda)



Property Tax Terminology

- The tax base of each property is called its **net tax capacity**:

$$[\text{taxable market value}] \times [\text{class rate}] = [\text{net tax capacity}]$$
- Each local government unit certifies a **levy**, which is the amount of property tax revenue it desires to collect for the forthcoming year.
- A **tax rate** is determined for each local government based on its levy and its tax base:

$$[\text{levy}] \div [\text{total net tax capacity}] = [\text{tax rate}]$$
- The **gross property tax** on a parcel of property is computed as:

$$[\text{net tax capacity}] \times [\text{total tax rate}] = [\text{gross property tax}]$$
- For property types eligible for state-paid credits (such as the homestead market value credit), the **net property tax** is computed as:

$$[\text{gross property tax}] - [\text{credit(s)}] = [\text{net property tax}]$$

Major Property Tax Relief Programs

FY 03 Approp. (millions)	Program	Recipients
\$565	Local government aid	Cities
325	Homestead market value credit	All taxing jurisdictions
205	Homestead and agricultural credit aid (HACA)	Counties
125	Property tax refund—renters	Individuals
87	Property tax refund—homeowners	Individuals
73	Referendum equalization aid	School districts
32	Debt service equalization aid	School districts
32	County criminal justice aid	Counties
23	Family preservation aid	Counties
18	Agricultural market value credit	All taxing jurisdictions
18	Disparity reduction aid	Counties, towns, and school districts

Property Tax Refund

Provides property tax relief to homeowners and renters whose property taxes are high relative to their incomes. If property tax exceeds a threshold percentage of income, the refund equals a percentage of the tax over the threshold, up to a maximum.

Property Tax Refund (\$194 million, refunds filed 2001)

		Number of Filers	Refund Amount (millions)	Average Refund per Filer
Homeowners	Nonsenior	125,144	\$43	\$342
	Senior	93,620	32	342
Renters	Nonsenior	197,645	83	421
	Senior	74,609	36	482
Total		491,018	\$194	\$395

Legislation enacted in 2001 increased the maximum refund for homeowners from \$510 for returns filed in 2001 to \$1,500 for returns filed in 2002. The maximum refund amount for both homeowners and renters is adjusted annually for inflation.

Program Limits, Refunds filed 2003

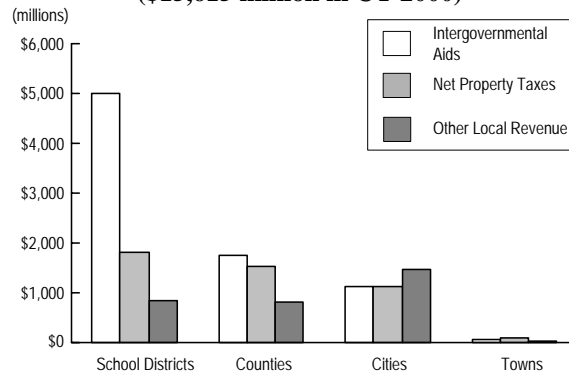
	Maximum Qualifying Income	Maximum Refund
Homeowners	\$81,600	\$1,530
Renters	\$44,020	\$1,250

Special Property Tax Refund (Targeting) (\$1.7 million, refunds filed 2001)

Provides property tax relief to homeowners whose property taxes increase by more than 12% over the previous year.

- Household income of taxpayer not considered
- For returns filed in 2001:
 - 22,765 returns
 - \$1.7 million total amount
 - \$75 average refund

Local Government Revenues
(\$15,615 million in CY 2000)



Major Sources of Local Government Revenues, CY 2000

	School Districts*	Counties	Cities	Towns
Intergovt. Aid (federal and state)	\$5,008.2	\$1,737.8	\$1,117.9	\$58.5
Net Property Taxes (including TIF)	1,797.9	1,517.0	1,125.9	92.0
Other Local Revenue				
User Fees **	416.5	375.1	300.32	6.2
Interest Earnings	170.0	193.1	267.3	6.6
Special Assessments	--	25.9	238.1	7.9
License and Permits	--	19.1	127.6	2.3
Fines and Forfeits	--	24.5	36.1	NA
Other	274.9	178.4	482.5	7.3
Subtotal Other	861.4	816.0	1,451.9	30.3
Total	\$7,667.5	\$4,070.8	\$3,695.7	\$180.8

* School district data for school fiscal year 2001

** User fees consist of all direct charges for government services, including recreational access charges, tuition, and sanitation fees, and payments made to a local government when it provides services to another local government.

Other Local Taxes (\$179 million)

- General sales tax; imposed by eleven local governments
1.0%: Duluth, Cook County
0.5%: Minneapolis Mankato Proctor
 St. Paul Two Harbors New Ulm
 Rochester Winona Hermantown
- Lodging tax; any city or town may impose a tax of up to 3%
- Franchise tax
- Aggregate production tax (gravel tax)
- Gambling tax (applies to charitable gambling; proceeds for gambling regulation only)

Government Debt

State Debt

State Obligations Outstanding (November 1, 2002, dollars in millions)

General Obligation (G.O.) Bonds	\$3,046
Equipment Leases	43
Agency Obligations	
Commissioner of Finance	\$68
Housing Finance Agency	1,972
Higher Education Facilities Authority	546
University of Minnesota	643
State Colleges and Universities Board	56
Higher Education Services Office	225
Public Facilities Authority	699
Rural Finance Authority	31
Agricultural & Economic Development Board	36
State Armory Commission	7
IRRB (Giant's Ridge Rec. Area)	16
Total Agency Obligations	4,299
Total, All Obligations	\$7,388
G.O. Debt authorized but not yet issued:	\$724

Source: Department of Finance

Department of Finance Debt Management Guidelines

- The general fund appropriation for debt service should not exceed 3% of general fund revenues. (For the biennium ending June 30, 2003, the general fund appropriation for debt service is estimated to be 2.38%.)
- G.O. debt of the state should not exceed 2.5% of total personal income. (For biennium ending June 30, 2003, estimated to be 1.7%.)
- Total amount of all G.O. debt, moral obligation debt, state bond guarantees, equipment capital leases, and real estate leases should not exceed 5% of total personal income. (For biennium ending June 30, 2003, estimated to be 2.91%.)
- Total revenue and G.O. debt of state agencies, public corporations, and the University of Minnesota should not exceed 3.5% of total personal income. (On June 30, 2002, it was 2.57%.)

Note: Percentages based on Department of Finance data

State Bond Ratings (October 22, 2002)

For the November 1, 2002, bond sale, Standard & Poors Ratings Group and Fitch Investors Service, L.P., each rated the state's bonds at the highest ratings (AAA), indicating the state's capacity to pay interest and repay principal is strong. A good rating reduces the interest rate the state has to pay. Moody's Investors Services, Inc., rates the state's bonds as Aaa but with a negative outlook. As the bond sale statement says, these ratings are subject to change or withdrawal by the rating agencies at any time.

Local Government Debt

Bonded Debt of Local Governments (\$13,936 million in CY 2000/FY 2001)

	General Obligation	Revenue	Total Indebtedness
Cities	\$4,956	\$1,068	\$6,024
Counties	991	73	1,064
Towns	40.5	0	40.5
School Districts	6,835	0	6,835
Total	\$12,822	\$1,141	\$13,963

Special district debt data is not available. School district data is for school fiscal year 2001.

Source: State Auditor's reports; School Districts Profiles 2001, Department of Children, Families and Learning

General obligation bonds are secured by the full faith and credit of the issuing governmental unit; the issuing governmental unit agrees to levy whatever property taxes are needed to pay the bonds.

Revenue bonds are backed by the revenues from a project or facility. They may also be secured by a general obligation pledge (**general obligation revenue bonds**).

Amounts in the local government table do not include **conduit bonds**, such as IDB (industrial development bonds) or mortgage revenue bonds. These bonds are paid by private individuals, businesses, and other organizations. The governmental unit issues the bonds to confer its federal and state tax exemptions on the private borrowers but is not legally responsible to repay the bonds. Most analysts consider conduit bonds to be obligations of the private individuals or entities who pay them.

**Twin Cities Metropolitan Regional Government Debt
(\$2,459 million net outstanding as of December 31, 2002)**

**Metropolitan Council
(\$833 million net outstanding general
obligation bonds as of December 31, 2002)**

Sanitary Sewers	\$611
Solid Waste	1
Transit	191
Parks	28
Public Safety Radio	2
Total	\$833

**Metropolitan Airports Commission (MAC)
(\$1,626 million net outstanding as of December 31, 2002)**

General Obligation Revenue Bonds	\$370
General Airports Revenue Bonds	<u>1,256</u>
Total	\$1,626

The Metropolitan Council and the MAC are authorized to issue debt. As of December 31, 2002, the MAC could issue \$55 million more in general obligation revenue bonds and an unlimited amount of airport revenue bonds for specified purposes. The MAC has not levied property taxes to pay general obligation revenue bonds since 1969.

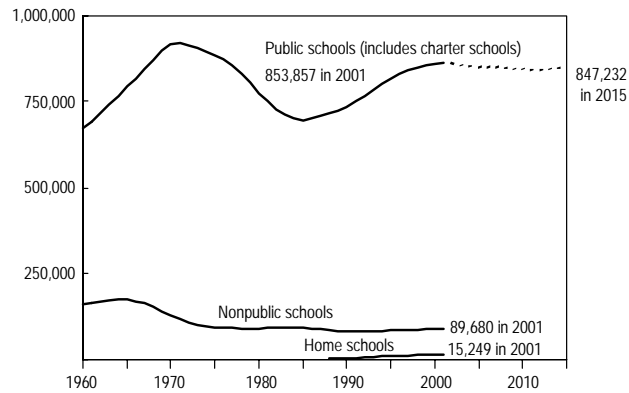
The Metropolitan Council may issue an unlimited amount of debt for the wastewater collection and treatment system. As of December 31, 2002, the Metropolitan Council could issue \$63.4 million more for transit fleet and facilities and the public safety radio system and \$12.3 million for capital improvements grants for regional parks

Major Government Functions & Services

K-12 Education	49
Higher Education	56
Family Assistance	62
Corrections	74
Transportation	78
Agriculture	82
Natural Resources	85
Pollution Control	88
Public Facilities Authority	91

K-12 Education

Student Enrollment (847,232 projected for 2015)



* Enrollment projections for nonpublic schools and home schools only available through 2001.

** Home school counts are not available prior to 1988.

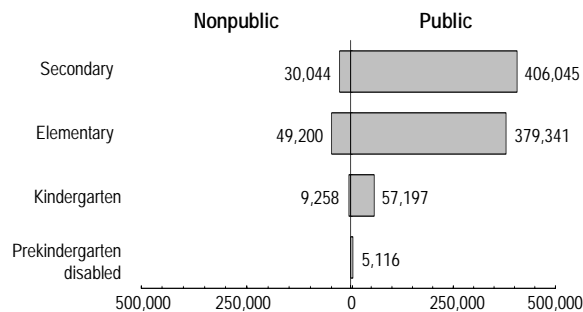
Enrollment Options Programs 2001-2002

- 30,070 open enrollment students
- 7,200 post-secondary (PSEO) students
- 10,000 college in high school students

Charter Schools 2002-2003

- 78 charter schools in operation
- 12,264 students attending charter schools as of October 2002
- 89 charters granted as of October 2002

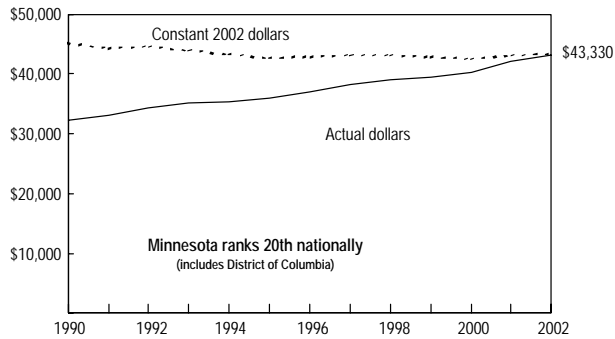
Students by Grade (847,699 public 2001-02; 88,502 nonpublic 1999-2000)



Teacher Characteristics 2001-2002

- 52,871 public school teachers (FTE)
- 53% of teachers are 45 or older
- 43% have advanced degrees
- 61% have taught more than 15 years
- 8,626 nonpublic school teachers (FTE)

Average Minnesota Public School Teacher Salary (\$43,330 in 2002)



Source: National Education Association

Teacher salary is negotiated by individual districts and typically based on years of experience and educational attainment.

Teacher Licensure and Qualifications

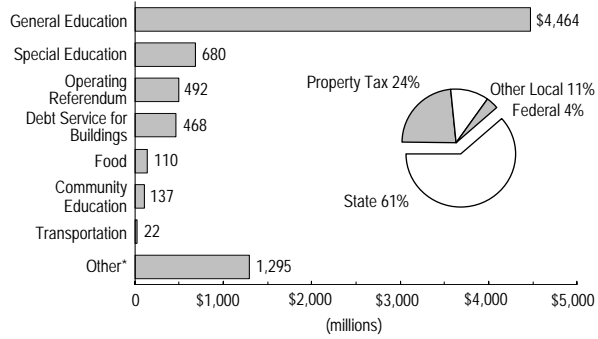
- State Board of Teaching oversees teacher preparation and licensure.
- Candidates for teacher preparation must pass exams on math, reading, and writing skills, and of general pedagogical knowledge and licensure-specific teaching skills.
- Newly graduated teachers hold provisional two-year entrance licenses.
- Experienced teachers renew continuing licenses every five years after meeting continuing education requirements.
- State Board of Teaching recently restructured the licensure system to complement high school graduation standards.

Administrator Licensure and Qualifications

- The Board of School Administrators oversees administrator preparation and licensure.
- A recently adopted code of ethics for supervisory personnel covers standards of professional practices.

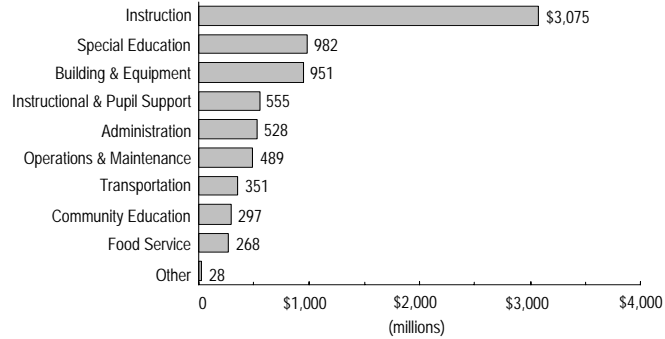
K-12 Revenue and Expenditures

School District Revenue (\$7,668 million in FY 2001)



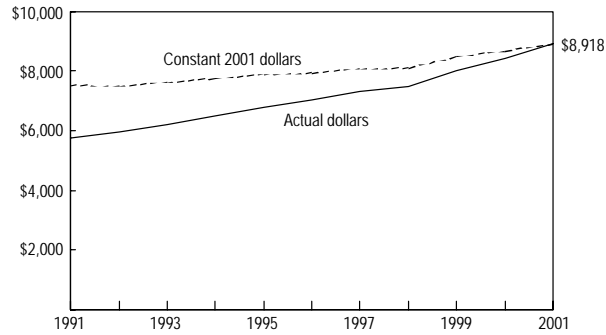
**Other* includes federal aid other than for special education, interest, interdistrict transfers, local revenues such as fees for hot lunches, community education and athletics, and other categorical funding programs.

Public School District Expenditures (\$7,523 million in FY 2001)*



*The difference between revenue and expenditures primarily represents fund balance carried forward to FY 2002.

Average Total Expenditures per Public School Pupil (\$8,918 in FY 2001)



Source: Department of Children, Families and Learning

Minnesota's High School Graduation Rule

In 1992, the Minnesota Legislature directed the State Board of Education to adopt in rule two types of graduation requirements: basic standards tests in reading, math, and written composition, and the profile of learning.

Basic Standards Tests

To graduate, public school students must receive a passing score of 75% on the reading and math basic standards tests and three out of a possible four points on the written composition test. A passing score requires students to:

- Understand math through pre-algebra
- Read at a level equal to popular adult nonfiction
- Respond to an adult reader in writing with short answers to two statements or requests for information

Students generally first take the reading and math tests in eighth grade and the written composition test in tenth grade.

Statewide Basic Standard Tests 8th Grade Public School Students

School Year	Percent of students tested who received 75% or higher		Number of students who have not passed the test ¹	
	Math	Reading	Math	Reading
2001-02	74.5	80	18,581	15,110
2000-01	72	79	20,308	15,732
1999-00 ²	72	80	20,547	15,218
1998-99	70	75	22,180	18,879
1997-98	71	68	21,530	23,458
1996-97 ³	70	59	NA	NA
1995-96 ⁴	69	53	NA	NA

¹ Includes students who are absent on day of test, whose tests were invalid, and who were not required to take the test because of their current Individual Education Plan (IEP) or language status.

² As of 2000, all test reports include scaled scores (statistical conversions of the number of correct answers) and the total number of correct answers.

³ A passing score of 70% applied in the 1996-97 school year only.

⁴ The reading and math tests became effective in the 1996-97 school year.

NA: Not available

Source: Department of Children, Families and Learning

Students with a passing score on the basic standards tests do not necessarily meet the preparation requirements for four-year colleges and universities.

Profile of Learning

The profile of learning contains high academic standards requiring students to expand their knowledge and skills beyond the state's basic skills requirements in reading, math, and written composition.

The profile of learning consists of 11 broadly defined learning areas:

- | | |
|---|---|
| 1. Read, listen, and view | 7. Social studies |
| 2. Write and speak | 8. Physical education and lifetime fitness |
| 3. Arts and literature | 9. Economics and business |
| 4. Mathematical concepts and applications | 10. World languages (optional for students) |
| 5. Inquiry and research | 11. Technical and vocational education* |
| 6. Scientific concepts and applications | |

Within each learning area are more specific "content standards." Students entering ninth grade must complete a locally determined number of content standards in order to graduate from high school. Graduation requirements may vary from site to site. Students may complete a standard more than once to improve their score. The commissioner of the Department of Children, Families and Learning (DCFL) must establish an academic panel to periodically evaluate the rigor of the profile of learning and recommend changes to the commissioner.

Districts may modify the performance requirements for students with disabilities and limited English proficiency. Districts may waive a content standard for students participating in a rigorous course of study. The commissioner must make available a list of post-secondary enrollment options (PSEO) courses that are sufficiently rigorous to qualify a student for a waiver.

The state and school districts use the performance scores of K-8 students on the content standards as diagnostic tools. DCFL wants to develop and administer Minnesota comprehensive assessments in grades three through eight to satisfy accountability requirements under the federal Elementary and Secondary Education Act (ESEA).

* No content standards currently have been adopted for learning area 11.

Early Childhood Programs

Early Childhood Family Education (ECFE)

- School districts and tribal schools operate classes to strengthen families with children from birth to age five

Way to Grow

- State matching grant program promotes development and school readiness of children ages three to six

School Readiness

- School districts operate child development programs to enable children ages three-and-one-half to five, after a developmental screening, to enter school with the skills and behaviors necessary for success

First Grade Preparedness

- State aid funds program at qualifying school sites to ensure children ages four to five have the skills necessary to succeed in school
- Eligibility is based on percentage of free and reduced lunch enrollment for four areas (Minneapolis, St. Paul, Twin Cities suburbs, and Greater Minnesota)

Head Start

- Federal program provides early education and health and social services for families in poverty
- Families at or below the federal poverty guidelines with children ages three to five are eligible to participate

Even Start Family Literacy Program

- Money from “federal share” state grants funds five programs that integrate early childhood education and adult literacy or basic education classes

Interagency Early Intervention (Part C)

- Federally funded comprehensive, coordinated interagency program to provide services to eligible children with disabilities from birth to age two, and their families

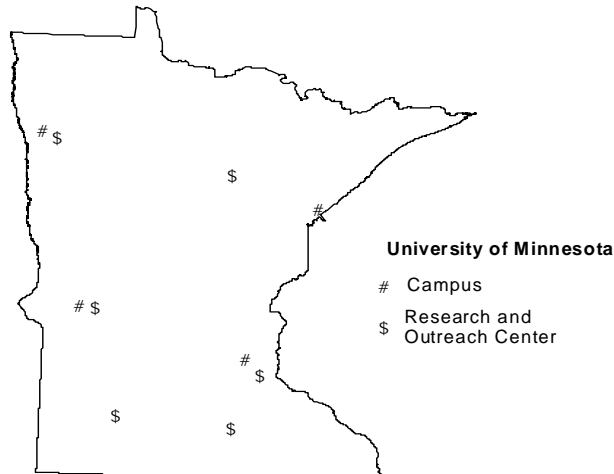
Funding for Early Childhood Programs

Program (ages eligible)	Funding FY 03 (in millions)	Participants FY 01
ECFE (up to kindergarten)	\$19.2 state aid 22.1 property tax	302,000 children and parents
Way to Grow (up to 6)	0.5 state aid	5,736 children 5,662 parents
School Readiness (3½ to kindergarten)	9.7 state aid	40,047 children 39,427 parents
First Grade Preparedness (4 to 5)	7.2 state aid	NA
Head Start (3 to 5)	78.8 federal 18.4 state aid	13,152 children
Even Start (up to 7)	2.4 federal	477 children
Part C (up to 2)	6.7 federal	3,053 children
Total	\$87.9 federal \$55.0 state aid \$22.1 property tax	

Higher Education

University of Minnesota

Enrollment by Campus (60,373 in fall 2002)



	Undergraduate	Total
Twin Cities	27,699	46,734
Duluth	8,181	9,183
Crookston	1,154	2,529
Morris	1,813	1,927

Other facilities

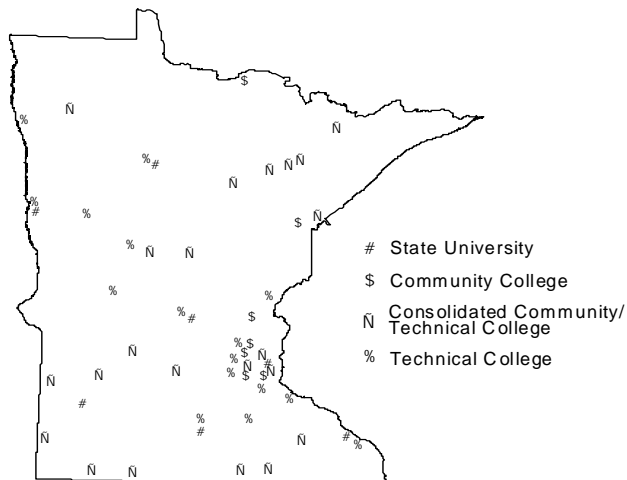
The university operates six research and outreach centers at Grand Rapids, Crookston, Rosemount, Waseca, Lamberton, and Morris.

Governance

- The university is governed by a 12-member Board of Regents elected by the state legislature.
- Eight members of the Board of Regents must represent the state's congressional districts, each representing one district.
- Four members are elected from the state at-large, including a university student.
- Regents are elected to staggered six-year terms.
- Regents serve without pay.
- The university president is the ex officio president of the Board of Regents.

Minnesota State Colleges and Universities (MnSCU)

Enrollment by Institution Type (165,915 in fall 2002)



Note: Enrollment based on MnSCU data

2-year state colleges	104,280
Community Colleges (11)	35,735
Technical Colleges (9)	28,520
Consolidated Colleges (9)	40,025
4-year state universities (7)	61,635

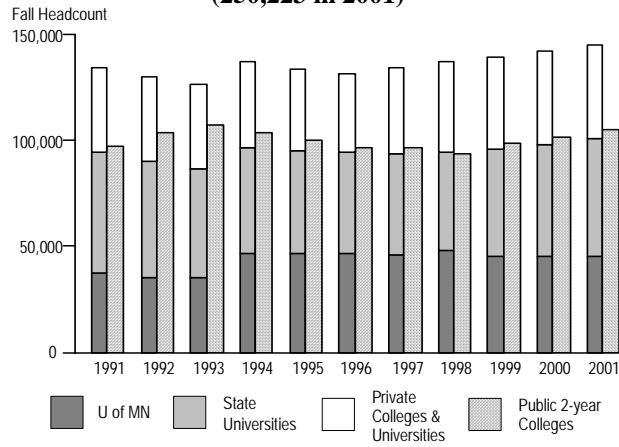
Campuses

MnSCU's 34 institutions operate 53 campuses.

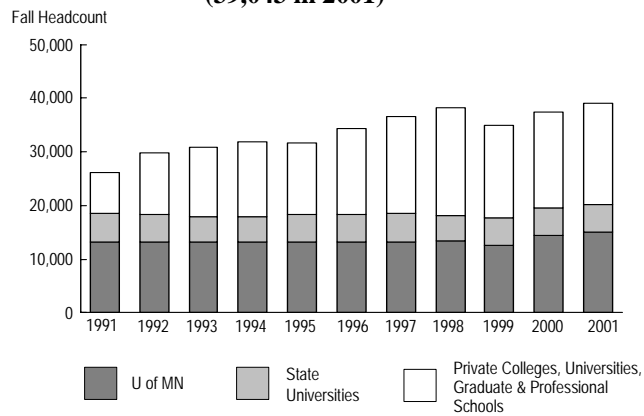
Governance

- MnSCU is a public higher education system, headed by a chancellor.
- Since 1995, the operation of two-year colleges and four-year universities has been consolidated in the MnSCU system.
- MnSCU is governed by a 15-member Board of Trustees appointed by the governor with the advice and consent of the Senate.
- Eight members of the Board of Trustees must represent the state's congressional districts, each representing one district.
- Three members must be MnSCU students or recent graduates.
- Trustees are appointed to staggered six-year terms.
- Trustees serve without pay.
- The Board of Trustees elects a chair.

Undergraduate Enrollment (250,223 in 2001)



Graduate Enrollment (39,043 in 2001)



Tuition and Fees Full-time, Minnesota Resident* 2002-03 Academic Year

	Undergrad	Graduate	Professional
Public			
2-year colleges	\$2,694-3,299	—	—
State Universities	\$3,358-4,475	\$4,014-5,241	—
University of MN	\$6,098-7,089	\$7,674-17,972	\$12,584-32,276
Private			
4-year colleges	\$6,110-26,910	NA	NA
Career schools	\$3,429-21,644	NA	NA

*Nonresident tuition at public colleges and universities is up to three times the resident rate.

Higher Education Service Office (HESO)

Responsibilities:

- Administering student aid programs and agreements
- Registering and licensing of private colleges and career schools
- Collecting and maintaining enrollment and aid data
- Providing information to students and families
- Providing support for technology and library programs

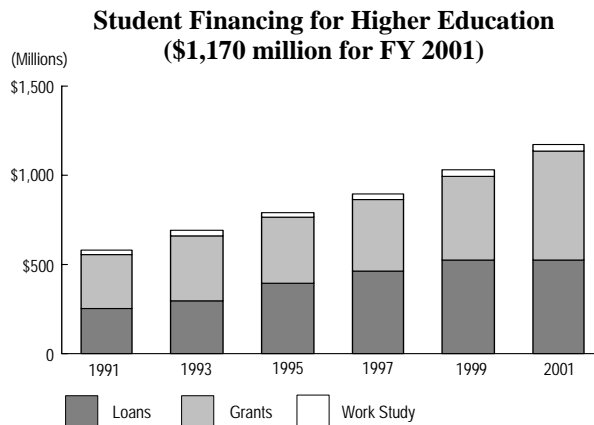
Private Post-Secondary Institutions

Registration: Post-secondary schools operating in Minnesota must register annually with HESO, including nonprofit schools, private schools that grant degrees, or institutions with “academy,” “college,” “institute,” or “university” in their name. Out-of-state public institutions must register if they offer courses or programs in Minnesota.

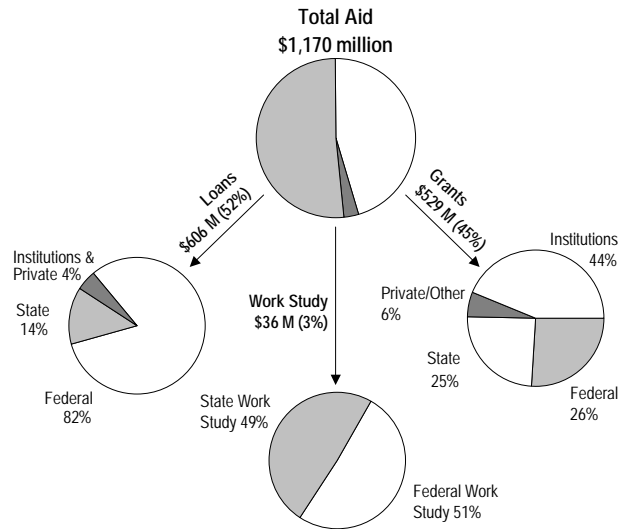
Licensing: Private career schools must be licensed by HESO to offer a program, advertise, or conduct a program in Minnesota.

Need-Based Student Aid

Minnesota’s State Grant program awards grants to eligible undergraduate Minnesota residents based on financial need and the price of post-secondary education. In the grant program, parents, students, and taxpayers share responsibility for paying for post-secondary education. The state grant covers the portion of the price of post-secondary education after deducting the federal Pell grant and the student and family share.

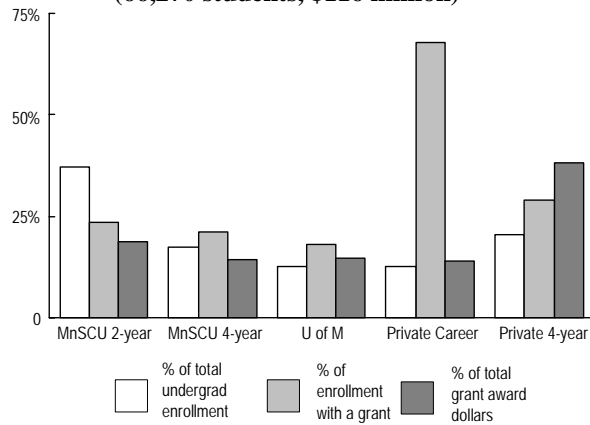


**Type and Source of Financial Aid Received by Minnesota Students
(\$1,170 million in FY 2001)**



2001 Student Aid Awards		
	Number of MN Undergraduates	Average Award
Federal Pell Grant (\$3,000 maximum)	61,500	\$1,820
State Grant Program	66,270	\$1,774

**Participation in State Grant Program FY 2001
(66,270 students, \$116 million)**



Tuition Reciprocity Programs

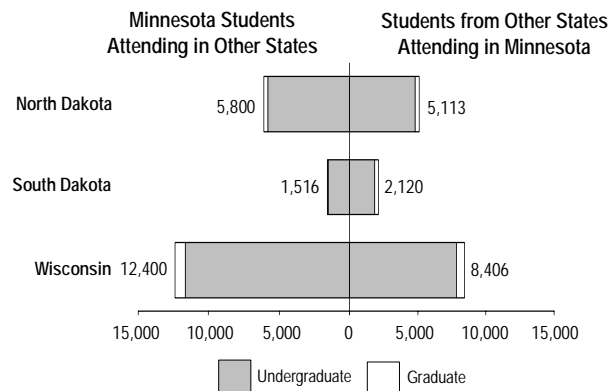
HESO administers the reciprocity agreements that provide reduced tuition for nonresident students.

Minnesota, North Dakota, South Dakota, and Wisconsin have tuition reciprocity agreements for all public post-secondary institutions.

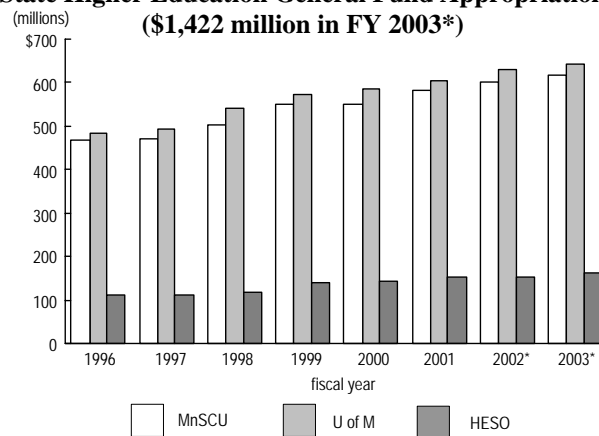
State payment for reciprocity includes:

- enrollment based aid to MnSCU and the University of Minnesota; and
- general fund appropriations for payments to other states if required by the agreement.

Full Year Equivalent Reciprocity Students 2000-2001



State Higher Education General Fund Appropriation (\$1,422 million in FY 2003*)



* Includes reductions and additions to appropriations made in 2002 for FY 2002 and 2003.
 Note: In FY 2003, the Mayo Medical Foundation received \$1.6 million, or 0.1% of higher education appropriations, for programs to increase the number of doctors in rural Minnesota.

Family Assistance

The principal assistance programs funded by the state for low-income families are:

Medical Assistance	MA
MinnesotaCare	MNCare
General Assistance Medical Care	GAMC
Prescription Drug Program	PDP
Minnesota Family Investment Program	MFIP
Emergency Assistance	EA
Group Residential Housing	GRH
General Assistance	GA
Minnesota Supplemental Aid	MSA
Child Care Assistance	
State Housing Assistance	

Other assistance programs are funded entirely by the federal government:

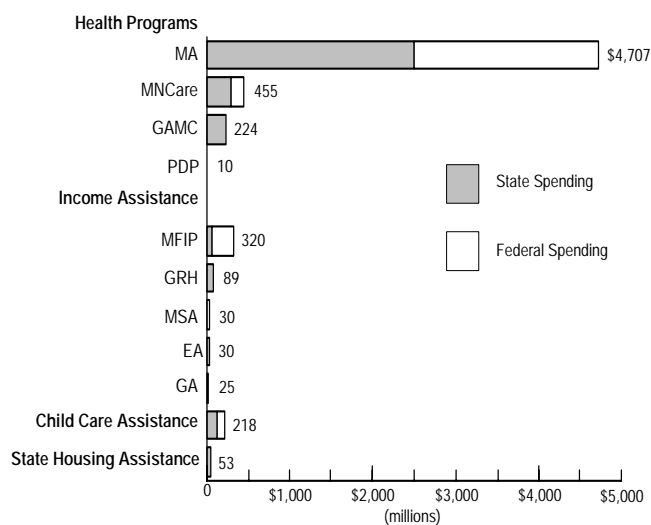
HUD Rental Housing Assistance	
Food Stamps	FS
Supplemental Security Income	SSI

<p>Note: The FY 2003 projections listed in this section are from the Department of Human Services, November 2002 forecasts of family self-sufficiency and medical programs. Other data are from DHS, DCFL, MHFA, and other sources.</p>

Funding and Administration

- MA, GAMC, PDP, MFIP, EA, GA, MSA, GRH, and Food Stamps are administered by counties under the supervision of the state Department of Human Services (DHS).
- MA, MNCare, MFIP, and EA are funded jointly by the federal and state governments.
- GAMC, GA, MSA, PDP, and GRH are state-financed.
- MNCare is administered directly by DHS; certain counties have elected to process applications and determine eligibility.
- Child Care Assistance is administered by the counties under the supervision of the state Department of Children, Families and Learning (DCFL) and receives state and federal funding.
- State Housing Assistance is administered primarily by the Minnesota Housing Finance Agency (MHFA) and is state-financed.
- HUD Rental Housing Assistance is administered by the Minneapolis HUD office, MHFA, and local agencies and is federally financed.
- Food Stamps and SSI are federally financed.
- SSI is administered by the federal Social Security Administration.

Family Assistance State and Federal Spending* (\$6,161 million in FY 2003)



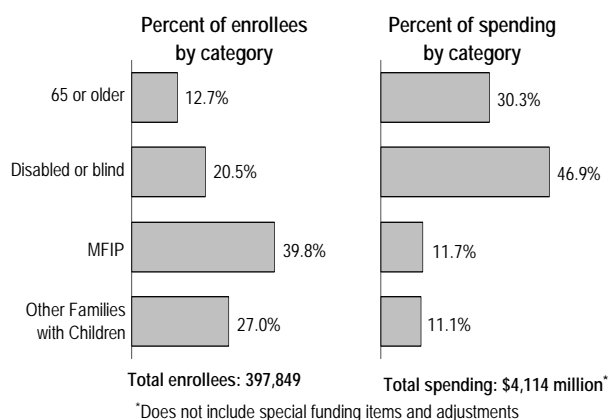
Note: MA spending total includes Children's Health Insurance program (CHIP).

* Excludes HUD Rental Housing Assistance, SSI, and Food Stamp programs.

Medical Assistance (MA)

- Federal-state Medicaid program pays for certain health care services for eligible individuals with income and assets below limits set by state legislature and federal government.
- Eligible groups are low-income families; needy children in foster care; certain aged, blind, or disabled persons; pregnant women; and certain other low-income children and adults.
- Under federal law, every state must provide certain MA services; Minnesota provides additional optional services.
- As of May 2002, 62% of MA recipients received services through an HMO or other prepaid health plan.

MA Projected Enrollees and Spending, FY 2002



Persons 65 and older are 12.7% of MA eligibles and account for 30.3% of MA expenditures in FY 2002.

MinnesotaCare (MNCare)

- State program that provides subsidized health coverage for low-income children, families, and adults without children through prepaid health plans.
- Enrollees' premiums are based on a sliding scale. Children with very low incomes are charged a reduced premium.
- All enrollees must meet program income limits and be permanent Minnesota residents. Most enrollees must also meet requirements related to lack of health insurance. An asset limit applies to parents and adults without children.
- Estimated state cost for FY 2003 is \$263 million. Enrollees are expected to pay \$42 million in premiums, and federal funding of \$150 million is expected.
- State funding comes from a 2% tax on gross revenues of health care providers (1.5% through CY 2003) and a 1% premium tax on nonprofit health plans (effective CY 2004).

Children's Health Insurance Program (CHIP)

- Federal-state program provides enhanced federal funding for MA coverage for children under age two with family incomes greater than 275% but less than or equal to 280% of the federal poverty guidelines, and MNCare coverage for parents and relative caretakers with incomes between 100% and 200% of the federal poverty guidelines.
- In October 2002, the state received federal approval to use CHIP dollars to provide mental health screenings and other mental health services to certain groups of low-income children.

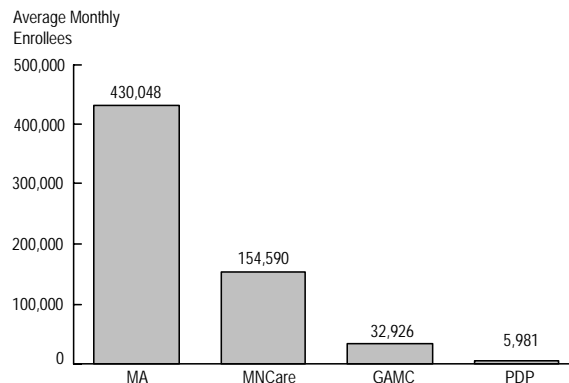
General Assistance Medical Care (GAMC)

- State program pays for certain health services for persons with income and assets below limits set by state legislature and who are not eligible for MA or other medical programs.
- State legislature determines list of covered services.
- As of December 2001, 66% of GAMC recipients received services through an HMO or other prepaid health plan.
- GA recipients are automatically eligible for GAMC.

Prescription Drug Program (PDP)

- State program that provides prescription drug coverage to low-income Medicare enrollees who are elderly or disabled and meet program eligibility requirements.
- Enrollees receive coverage for most prescription drugs and pay a \$35 monthly deductible.
- As of June 1, 2002, program enrollment was 4,636.

**Projected Health Care Enrollees
(623,545 in FY 2003)**

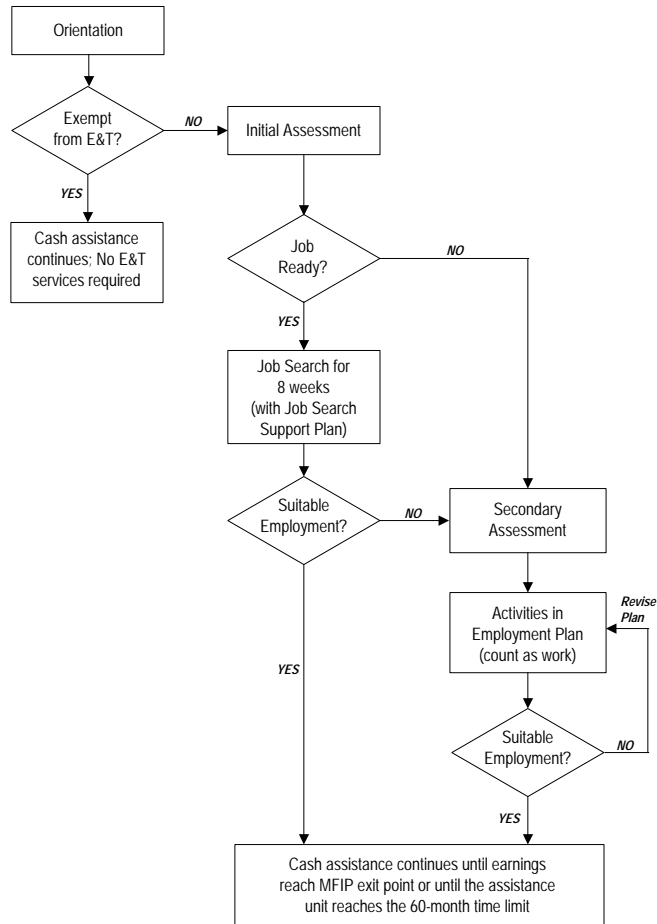


Minnesota Family Investment Program (MFIP)

- MFIP is a state program begun in January 1998 that replaced the Aid to Families with Dependent Children (AFDC) entitlement program.
- MFIP provides cash assistance and employment and training services to eligible families with children. For new applicants, benefits are vendor-paid for the first six months.
- With some exceptions, MFIP is provided for no more than 60 months. In July 2002, some families reached that 60-month limit. However, some of these families received exemptions or extensions. Exempt families may receive assistance without that month counting toward the 60-month time limit. Families with extensions may continue to receive cash assistance, but that month of assistance counts toward the 60-month time limit. Families without extensions and with more than 60 months of assistance are ineligible to receive assistance.
- Eligible families must be citizens or qualified noncitizens, have income and assets below limits set by the legislature, and include at least one minor child or pregnant woman and the child's parents or stepparents.
- MFIP caregivers are expected to meet hourly work requirements. Supports to make work possible (including child care assistance) and sanctions for noncompliance are features of the program.
- MFIP is funded by the federal Temporary Assistance for Needy Families (TANF) block grant and by state appropriations.
- The legislature sets benefit levels, which include cash and food assistance portions. Benefits vary by family size; a family with one adult and one child receives up to \$658 per month. The food portion is adjusted each October 1 to reflect cost-of-living adjustments in the federal Food Stamp program.

MFIP Employment and Training Services for a Typical Recipient

Both two-parent and single-parent MFIP families must begin employment and training (E&T) immediately.



Group Residential Housing (GRH)

- State program that assists in housing certain MSA-eligible and GA recipients who live in group residences such as adult foster homes and housing with services establishments.
- For FY 2002, 66% of GRH recipients received services under an MA home and community-based waiver, 21% were persons with disabilities not receiving waived services, and 13% were GA eligible.

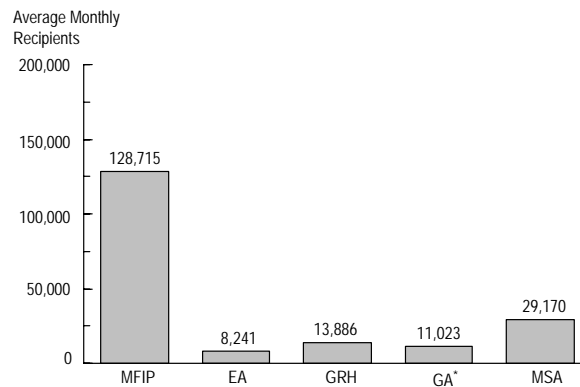
General Assistance (GA)

- State program that provides cash assistance to disabled or unemployable persons ineligible for MSA or SSI.
- GA recipients are single adults or childless couples. A single GA recipient receives up to \$203 per month. GA-eligible persons living in group residential housing facilities receive a small monthly personal needs allowance.
- GA recipients are also eligible for GAMC.

Minnesota Supplemental Aid (MSA)

- State program that provides supplemental cash assistance to needy aged, blind, and disabled persons who are SSI recipients or who would qualify for SSI except for excess income.
- Amount of monthly benefit varies with housing arrangement. A nursing home resident receives a small monthly personal needs allowance; a recipient living at home receives a larger grant for shelter and basic needs.
- MSA recipients automatically receive MA.

FY 2003 Income Assistance Projections for MFIP, EA, GRH, GA, MSA



*Data for GA is available by cases only, not by number of individual recipients.

Child Care Assistance Programs

Federal, state, and county funds subsidize child care costs for eligible families with:

- incomes at or below 75% of state median income
- children under 13 years old (age 15 for children with disabilities)

Families with incomes above 75% of the federal poverty guidelines must pay a copayment.

Basic Sliding Fee (BSF) Program for Working Families

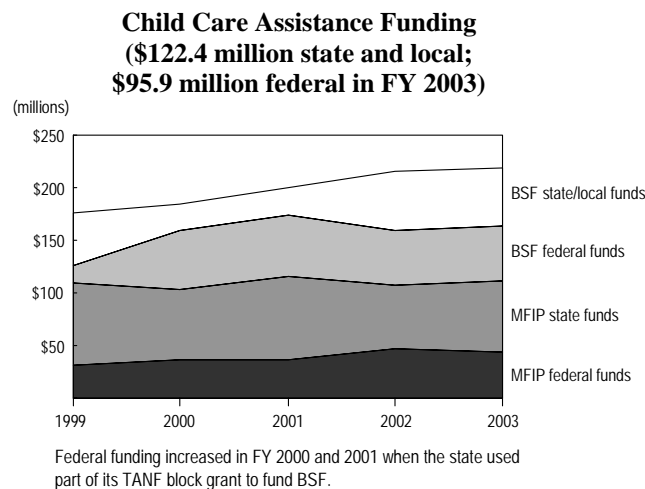
- Assistance is limited by funding
- Waiting lists exist in some counties
- Priority is given to minor parents without a GED or diploma, families completing the MFIP transition year, and families receiving assistance from the portability pool
- Includes state-level funding for At-Home Infant Child Care

MFIP Child Care

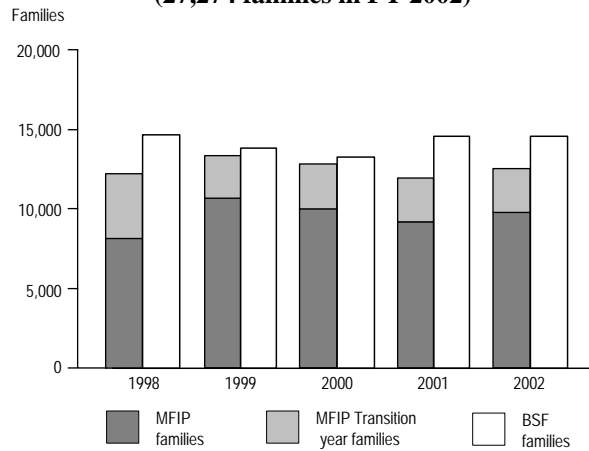
- Eligible MFIP families, including families that forego the cash portion of the MFIP grant
- Assistance provided for activities in an approved individual plan (job search support or employment plan) and for employment
- Assistance is fully funded, no waiting lists for assistance

Transition Year Child Care

- Provides 12 months of child care assistance for former MFIP families who received assistance for three of the previous six months



**Child Care Assistance
(27,274 families in FY 2002)**



Assistance may be provided for care by:

- Licensed family child care providers
- Licensed child care centers
- Legal nonlicensed caregivers including school district programs, and registered caregivers who are related or unrelated adults

Child Care Assistance Profile, FY 2002

Type of Care (% of children)*	BSF & MFIP	
Registered provider	34.2%	
Registered center	3.3%	
Licensed family day care home	29.4%	
Licensed child care center	33.1%	
Total children	46,466	
Type of Parental Activity (% of families)	BSF	MFIP
Students	4%	NA
Employment	91%	48%
Employment and Training	5%	14%
Education, Employment, and Training	NA	15%
Other MFIP Activity	NA	1%
Transition Year	NA	22%
Total families	14,617	11,938
Average Family		
Average children per family	1.68	1.87
Average cost per family	\$6,237	\$8,009

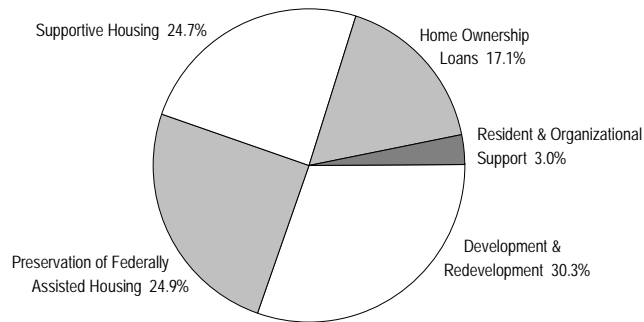
Note: MFIP includes transition year child care

* Percentages do not add to 100% due to the use of more than one type of care per child.

Source: Department of Children, Families and Learning

State Housing Assistance

MHFA Funding For Housing Assistance (\$39.9 million state appropriation in FY 2003)



Note: This does not include capital funding for housing, housing-related appropriations to other state agencies, or a one-time FY 2003 appropriation of \$12.7 million from federal TANF (Temporary Assistance for Needy Families) block grant funds, for use in development and redevelopment.

State appropriations to the MHFA are about 13% of the agency's total budget. (The rest is from mortgage revenue bond issues, federal funding, and other services.) MHFA activities include:

- **Development and Redevelopment.** Funds new construction and rehabilitation of rental and ownership housing.
- **Supportive Housing.** Funds housing development and rental assistance for very low-income families, many with other difficulties in achieving independent living.
- **Homeownership Loans.** Funds home purchase and home improvement loans.
- **Preservation of Federally Assisted Housing.** Preserves the stock of federally assisted rental housing that may be lost as affordable housing due to opting out of federal programs or because of physical deterioration.
- **Resident and Organization Support.** Provides operating funds for organizations that develop affordable housing, offer homebuyer education and foreclosure prevention assistance, or coordinate regional planning efforts.

U.S. Department of Housing and Urban Development

HUD Rental Housing Assistance

(This page covers only direct subsidies from HUD. It does not include other rent assistance or home ownership programs.)

HUD Rental Housing Assistance is for persons with incomes up to 50%, or in some cases 80%, of the area median income, adjusted for family size. (See page 11 for the median incomes.)

The tenant's rent generally equals 30% of income, and HUD pays the balance up to the actual or fair market rent (FMR).

HUD sets FMRs each year by metropolitan area and by county outside metropolitan areas. FMRs are adjusted for the number of bedrooms. FMRs for 2003 range from a low of \$283 for an efficiency in a nonmetropolitan county to a high of \$1,397 for a four-bedroom unit in the Twin Cities metropolitan area.

HUD programs providing direct subsidies to renters, owners, or developers of affordable housing include:

- **Public housing.** Operating and modernization funding for housing owned, operated, and managed by public housing authorities; \$83 million allocated in 2002.
- **Section 8.** Most assistance is for rent subsidies in the form of certificates or vouchers that tenants can take with them when they move ("tenant-based assistance"). Also includes long-term rental subsidies for the owners of affordable rental housing ("project-based assistance"). No new construction has taken place under the project-based aspect of the program since 1983, but the federal government still subsidizes existing projects; \$171 million in 2002.
- **Section 202/811.** Capital advances for construction of supportive housing units for very low-income elderly and people with disabilities. Also includes rental assistance for tenants in these units; \$16 million in 2002.
- **Home Investment Partnership Program (HOME).** Grants for states and local governments to acquire, rehabilitate, or construct affordable housing for low-income renters or owners; \$23 million in 2002.
- **Community Development Block Grants (CDBG).** Grants to local governments that may be used for a wide variety of purposes, including housing; \$73 million in 2001.

Other Federal Assistance

Food Stamps (FS)

- Federal USDA program providing food purchasing assistance to low-income households.
- Eligible households must be citizens or qualified noncitizens; have assets and gross income below specified limits; and have net monthly income at or below the federal poverty guidelines.
- Most able-bodied adults must meet work requirements.
- Federal government sets benefit levels. Effective October 1998, benefits are provided in electronic debit card (EBT) format, eliminating the traditional paper food stamp coupons.
- In FY 2002, an average of 99,720 Minnesota households received food stamp benefits each month. These benefits were worth a total of \$195.8 million for the fiscal year.

Supplemental Security Income (SSI)

- Federal program providing cash assistance to needy aged, blind, and disabled persons.
- Eligible persons must be citizens or noncitizens meeting certain criteria; have assets and income below federal limits; and be 65 or older or meet program criteria for blindness or disability.
- Amount of monthly benefit varies with housing arrangement.
- Some SSI recipients also receive a state supplement to their SSI grant through the state MSA program. Most SSI recipients are eligible for MA.
- In FY 2002, an average of 66,369 Minnesotans received SSI each month. During FY 2002, \$310 million in federal SSI benefits were paid to Minnesota recipients.

Corrections

Minnesota's Crime, Incarceration, and Probation Rates, and State Rankings (as of December 31, 2000)

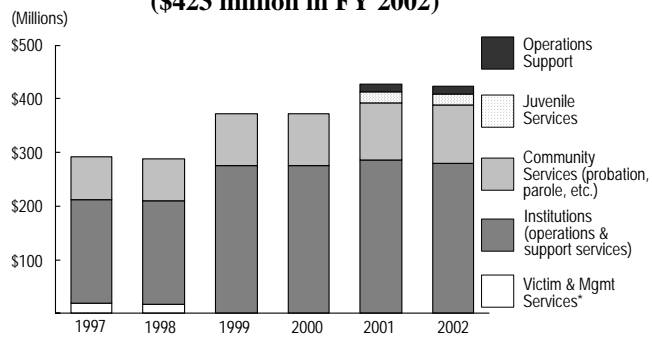
	Rate per 100,000	Rank Among States
Crime Rate, Total	3,488	32nd
Violent*	281	38th
Property**	est. 3,207	NA
Incarceration Rate, State Prisoners	128	50th
Whites	59	50th
African Americans	1,485	30th
Probation Rate, Adults	3,151	5th

* Murder, forcible rape, robbery, aggravated assault

** Burglary, larceny, motor vehicle theft (excludes arson)

Source: *Crime: State Rankings*, Morgan Quitno Corp. (published annually, based on U.S. Department of Justice data)

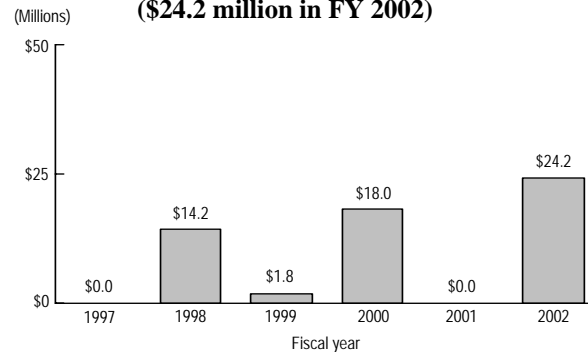
Department of Corrections Expenditures (\$423 million in FY 2002)



*Victim services, including grant administration, was transferred from DOC to the Center for Crime Victim Services in the Department of Public Safety, effective FY 1999.

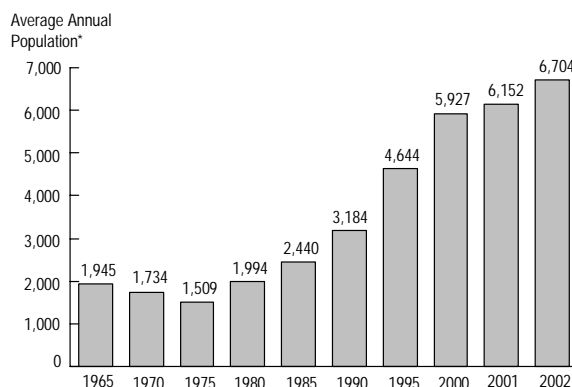
Source: Biennial Budget Book

Department of Corrections Bonding Authority* (\$24.2 million in FY 2002)



* Bonding amounts are after the governor's vetoes.

Adult Prison Population, 1965-2002



*Data is by calendar year through 2000, and by fiscal year beginning in 2001.

Expansions to the Prison System

1996-1998: Approximately 400 beds

1998-2000: Rush City close-custody facility, 950 beds;
Shakopee, 52 beds; Lino Lakes segregation unit, 160 beds

2000-2002: Oak Park Heights, 60-bed mental health unit; Red Wing, converting 14-bed unit for mental health

2003-2004: Lino Lakes, 416-bed unit; Shakopee, converting an independent living center into 48-bed general living unit

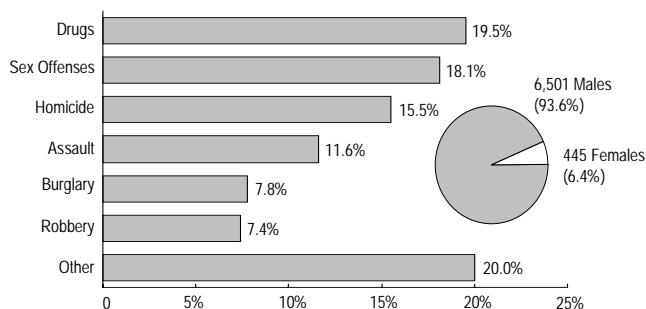
Level of Custody Definitions

Level 6 (Maximum security)	Oak Park Heights	Single cells Secure perimeter
Level 5 (Close-custody)	St. Cloud Stillwater	Single cells Secure perimeter
Level 4 (Close-custody)	Rush City	Double cells Secure perimeter
Level 3 (Medium security)	Faribault Lino Lakes Moose Lake	Double cells and Multiple occupancy Secure Perimeter
Level 2 (Minimum security)	Faribault MSU*	Multiple occupancy Fence
Level 1 (Minimum security)	Red Wing Willow River CIP** Lino Lakes MSU* Stillwater MSU*	Multiple occupancy No fence

* MSU stands for minimum security unit.

** CIP stands for Challenge Incarceration Program, commonly called "boot camp."

**Adult Prison Population by Offense and Gender
(6,946 as of January 1, 2002)**



**Adult Prison Population by Facility
and Cost per Inmate 2002**

Facility	Number*	Percent	Per diem*	Annual*
Faribault	1,130	16.3%	\$68.47	\$24,922
Lino Lakes	1,183	17.0	77.42	28,258
Oak Park Heights	365	5.3	136.69	49,892
St. Cloud	720	10.4	92.19	33,649
Shakopee**	409	5.9	95.88	34,996
Stillwater	1,284	18.5	72.83	26,583
Rush City	643	9.3	102.09	37,263
Work Release	128	1.8	55.62	20,301
ICWC or local jail	41	0.6	57.90	21,134
Moose Lake	966	13.8	68.60	25,039
Willow River	77	1.1	91.29	33,321
Total/Average***	6,946	100.0	\$79.89	\$29,160

ICWC stands for Intensive Community Work Crew

* Population as of July 1, 2002; costs are on a per-prisoner basis for FY 02. Per diem includes base, mental health, and health care expenditures.

** Shakopee is a women's facility; nine females at Willow River.

*** Rush City is excluded from the average because it is not at capacity.

**Adults Under Community Supervision
(117,179 as of July 1, 2002)**

Supervision provided by the state (DOC), Community Corrections Act (CCA), or county probation officers (CPO).

Type of Supervision	Number of Adults
Probation*	113,608
Supervised Release	3,571
Total	117,179

* 14,138 are supervised by state agents; the remainder by local agents.

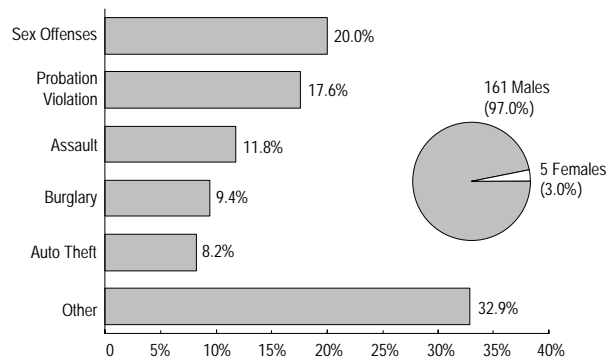
Juvenile Offenders

Juvenile offenders are defined as under age 18 and not certified as adults. Many juvenile offenders are held by DOC but are under the supervision of the presiding court. Others have been committed to the supervision of DOC. The sentences for some serious crimes require that the offender be committed to DOC; other juvenile offenders are committed to DOC at the discretion of the supervising judge.

Juvenile Correctional Facility Population by Facility and Per Diem Cost Per Person (as of July 1, 2002)

Facility	Number	Percent	Per diem FY 02	Annual Cost FY 02
Red Wing (males)	161	97%	\$189	\$68,938
Committed to DOC	85	51.2%		
Held, not committed	76	45.8%		
Female placements	5	3%	\$200	\$73,000
Total	166	100%		

Juvenile State Correctional Facility Population (by offense for 85 males committed to DOC; by gender for 166 in total population as of July 1, 2002)



Juveniles under Community Supervision (16,764 as of July 1, 2002)

Type of Supervision*	Number of Juveniles
Probation**	16,723
Parole	41
Total	16,764

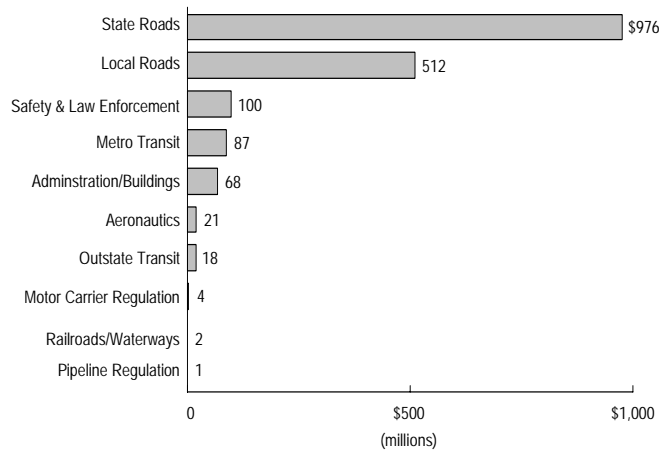
* Supervision provided by state and local authorities.

** 1,655 are supervised by state agents; the remainder by local agents.

Transportation

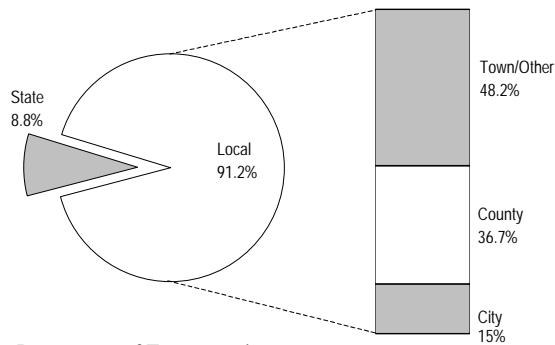
Transportation Spending (\$1,788 million state and federal in FY 2002)

State appropriations for transportation in FY 2002 (including federal highway aid to the state) was \$1.79 billion.



In addition to the \$976 million appropriated for state road construction and maintenance in FY 2002, a total of \$459 million was appropriated in 2000 to be available for state road improvements in FY 2001 through 2003. Through the end of FY 2002, \$283 million of that appropriation had been spent or contracted.

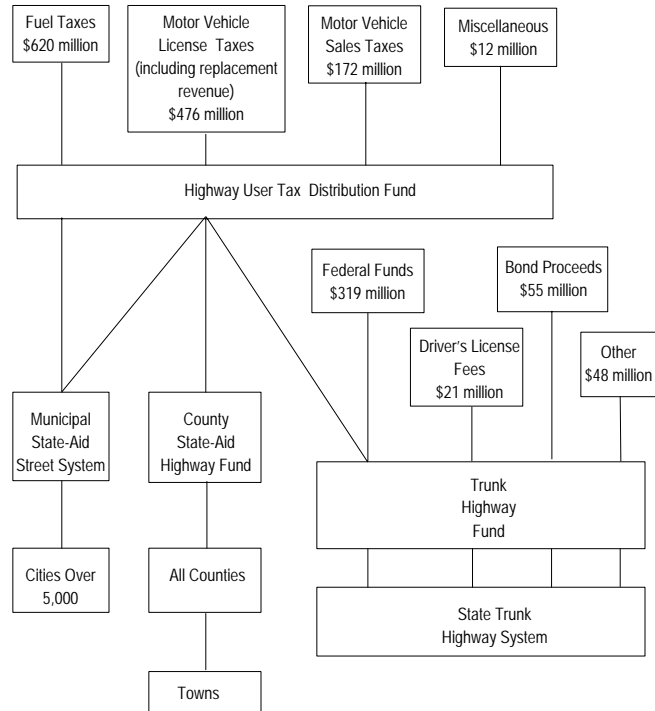
Minnesota Highway Mileage



Source: Department of Transportation

Most of Minnesota's 135,000 miles of public highways are local.

Sources and Disposition of Highway Funds (\$1,723 million in FY 2002)



Source: Department of Transportation

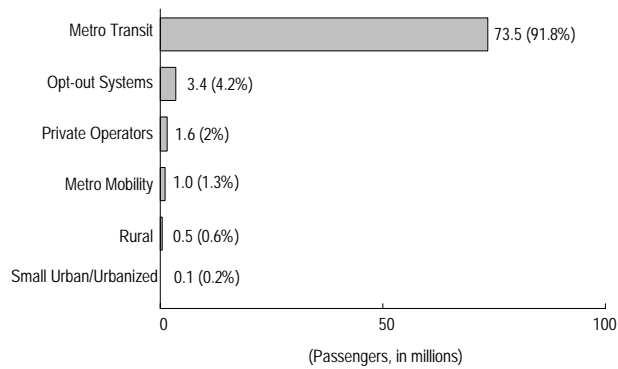
The constitution and state law dedicate about 60% of highway user taxes to the state, 31% to counties and towns, and 9% to cities with populations of more than 5,000.

In addition to these amounts, the 2000 Legislature provided \$282 million for state highways and \$30 million for state-aid streets and highways, for FY 2001 through FY 2003.

Metropolitan Area Transit Systems

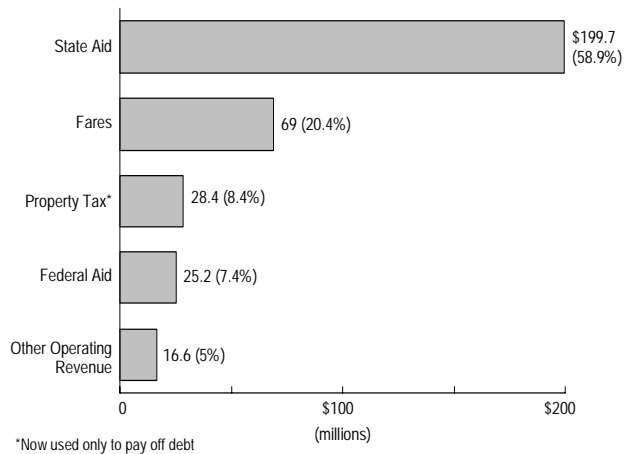
Metro Transit, the regular route transit system operated by the Metropolitan Council, accounts for over 90% of the ridership on all transit systems in the metropolitan area. “Opt-out systems” are locally based transit services that replace Metro Transit.

Transit Ridership
(80 million Passengers in CY 2000)



All transit systems in the metro area had revenue of \$339 million in FY 2002. The replacement of the transit property tax by a dedicated share of state motor vehicle sales tax revenue makes state funds the largest source of revenue.

Metropolitan Council Transit Operations Revenue Sources
(\$339 million in FY 2002)



Greater Minnesota Transit Systems
(\$17 million state funding in FY 2002)

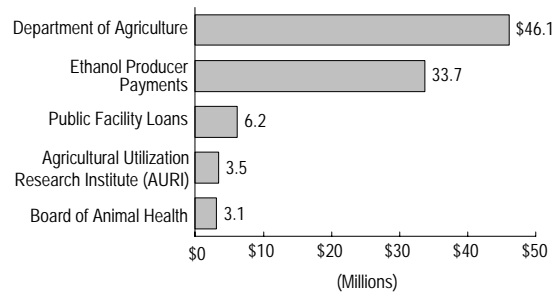
State operating assistance to Greater Minnesota transit systems was \$17 million in FY 2002. The Greater Minnesota transit program supports approximately 70 transit systems in Greater Minnesota. A legislative formula determines the maximum percentage of a system's total operating cost, which must be paid locally from a combination of farebox revenue and local tax subsidies.

Type of system	Maximum local share of total costs	Number of Systems
Urbanized area systems	40%	6
Small urban systems	40%	18
Rural systems	35%	43
Elderly/disabled systems	35%	4

The rest, except for federal funds, is paid by the state. The systems assisted by the state range from large urban systems such as Duluth and St. Cloud to small cities, rural countywide systems, and social service agencies that offer transportation.

Agriculture

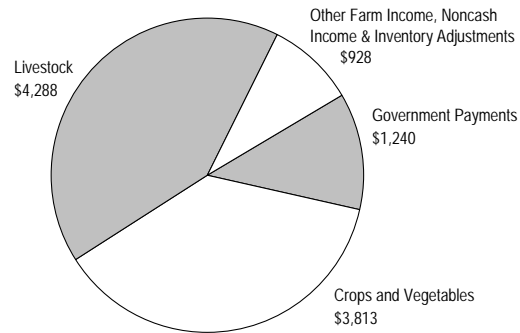
State Agriculture Expenditures (\$92.6 million in FY 2002)



Minnesota Farming Facts

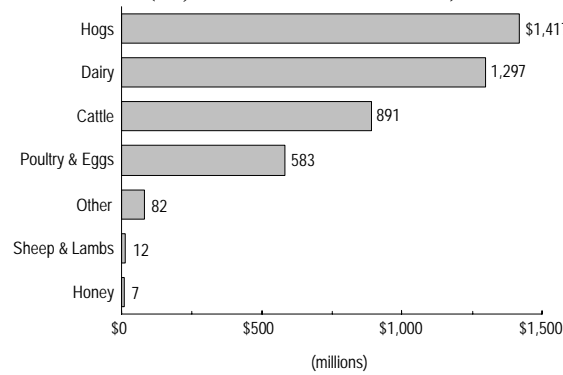
- 28.5 million acres of land in Minnesota (about 56.5% of total area) are agricultural.
- There were 79,000 farms in 2001:
 - 30,500 with farm product sales of less than \$10,000
 - 20,000 with farm product sales exceeding \$100,000
 - 29,000 with cattle, including 7,800 with dairy cattle
 - 6,500 with hogs
 - 2,400 with sheep
- The average farm size in 2001 was 361 acres.
- The January 1, 2002, livestock inventory was valued at \$2,610 million:
 - \$2,066 million in cattle and calves
 - \$504 million in hogs and pigs
 - \$25 million in chickens
 - \$15 million in sheep and lambs
- The average value of farmland (including buildings) was \$1,320 per acre on January 1, 2001.
- 0.65% of all Minnesota farmland was sold in 2001 (1,579 parcels averaging 117 acres) at an unadjusted sale price of \$1,505 per acre.
- Average 2001 net farm income was \$8,804.
- Average 2001 per farm government payments were \$15,696.
- Average age of farm operator was 51 years in 2001.

Gross Farm Income
(\$10,269 million in CY 2001)

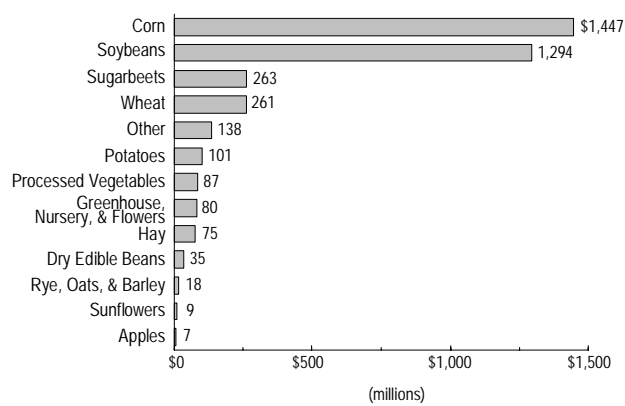


Gross farm income equals cash receipts, government payments, noncash income, other farm income, and inventory adjustments.

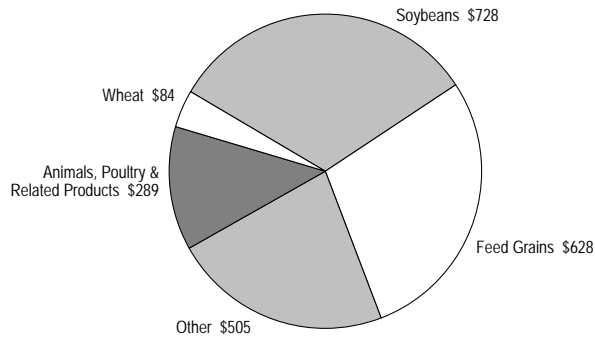
Cash Receipts from Livestock
(\$4,288 million in CY 2001)



Cash Receipts from Crops and Vegetables
(\$3,813 million in CY 2001)



Minnesota Agricultural Exports (\$2,234 million in CY 2000*)



* More recent data is not available. Data sources report that year-to-year changes in exports are small.

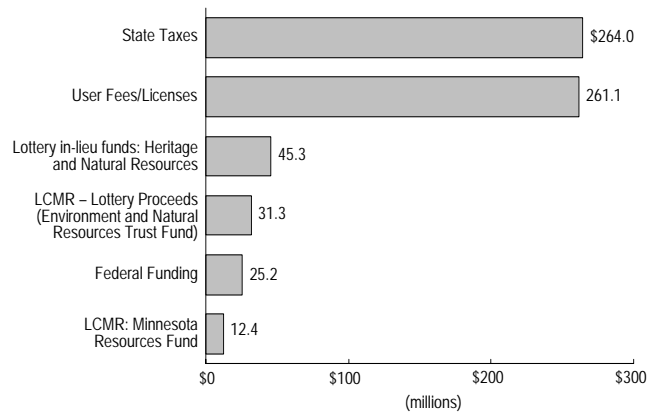
Economic Impact of Minnesota Agriculture

- Minnesota's agricultural production and processing infrastructure accounts for 17% of the gross state product.
- Agriculture and the food industry account for over 20% of all employment in Minnesota.
- \$2.23 billion in farm products were exported in 2000, ranking Minnesota seventh among the states in agriculture exports.
- In 2001, hired farm laborers earned an average wage of \$9.53 per hour.
- Minnesota is a major player among the states in several areas of production:
 - **First** in sugarbeets, turkeys, and green peas for processing
 - **Second** in spring wheat, canola, wild rice, sweet corn, and oats
 - **Third** in American cheese, hogs, and mink pelts
 - **Fourth** in soybeans, flaxseed, and total cheese
 - **Fifth** in corn, milk cows, milk production, and ice cream

Principal Data Source: Minnesota Agricultural Statistics 2002

Natural Resources

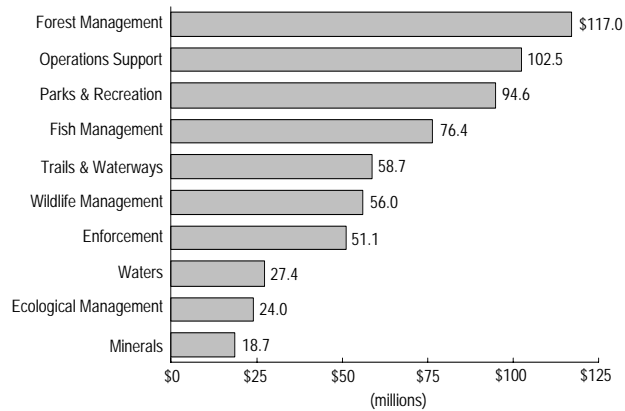
DNR Revenue by Source (\$639.3 million in FY 2002-03)



Source: Department of Natural Resources

The Department of Natural Resources (DNR) budget is about 2% of total general fund spending. On a per capita basis, DNR revenue sources amount to about \$128 per state resident over the biennium.

DNR Expenditures by Program (\$626 million in FY 2002-03)

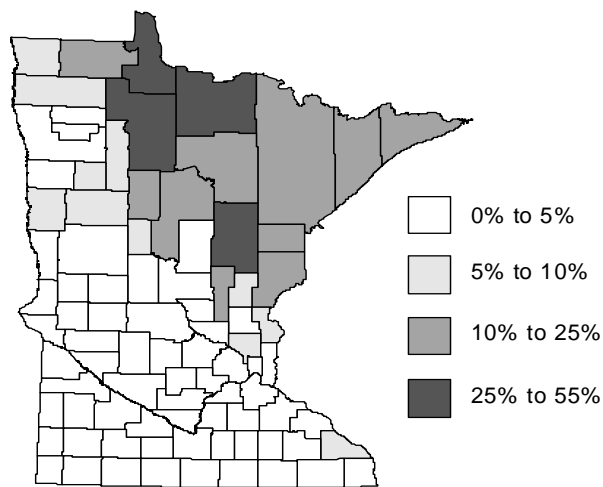


Natural Resources Facts

Minnesota has

- 5,300,000 acres of DNR land, about 10% of Minnesota's land area
- 4,907,898 acres of lakes
- 7,500,000 acres of wetlands
- 92,000 miles of rivers and streams
- 2,940 permanent, temporary, and seasonal DNR employees, about 6% of total state employment
- 1,117,959 fishing licenses
- 800,000 recreational boats
- 66 state parks and six state recreational areas; second oldest state park system in the United States, after New York

State Land Ownership (approximate percentage of state land ownership in each county)



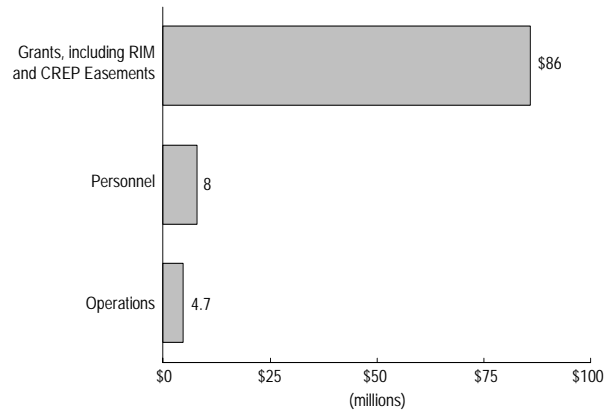
Acres of Certain DNR Areas

- 1,540,340 state forest acres
- 1,000,000+ wildlife management acres
- 100,000 scientific and natural area acres
- 198,000 state park acres
- 16,576 state recreation acres
- 22,150 fisheries management acres
- 8,946 acres of state trails
- 2,645 public water access site acres

Board of Water and Soil Resources (BOWSR)

The mission of BOWSR is to help local units of government manage and conserve their soil and water resources. This is accomplished by providing financial, technical, and administrative assistance to local units. There are 17 board members of BOWSR and 52 staff in the metro area and seven field offices around the state.

BOWSR Budget (\$98.7 million in FY 2002-03, including bonding authorization)



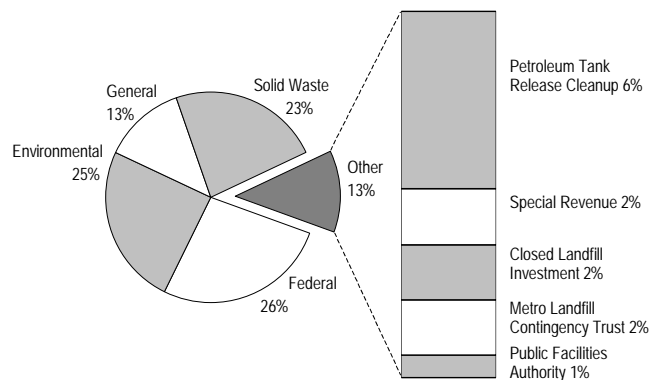
The **Reinvest in Minnesota (RIM)** program improves soil conservation and water quality and provides wildlife habitat, including wetlands. Since 1986, RIM has enrolled 78,407 acres in conservation easements at a cost of \$56.8 million.

A new **Conservation Reserve Enhancement Program (CREP)** is a federal partnership agreement to place at least 100,000 acres of Minnesota River Valley land under conservation easement at a potential cost of \$247.8 million (33% state, 67% federal). There are now over 100,000 acres enrolled in this program, at a total cost of \$71.3 million.

Pollution Control

- Pollution Control Agency (PCA) responsibilities are divided between a commissioner, appointed by the governor, and a citizens' board, chaired by the commissioner.
- The PCA was established “to achieve a reasonable degree of purity of water, air, and land resources of the state consistent with the maximum enjoyment and use thereof.”
- The PCA reorganized in 1998, to improve the structure and performance of the agency. The new structure is designed to be a geographically based, multi-resource (air, water, land) approach to more effectively address environmental challenges, including diffuse nonpoint sources of pollution.

PCA Funding Sources by Fund
(\$262.1 million, FY 2002-03)

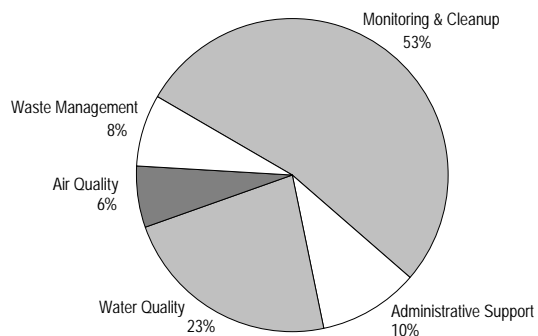


In a January 2002 evaluation, the Legislative Auditor found significant policy issues with PCA's funding. The auditor recommended that the legislature review the mix of funding sources for the agency, and determine:

- the appropriate mix of general revenues versus “polluter pays” revenue sources (fees); and
- whether the agency's funding sources should be closely linked to the purposes for which the funds would be used.

In the summer and fall of 2002, the PCA developed recommendations on these issues for the next administration and legislature.

**PCA Activities Funded
(\$262.1 million, FY 2002-03)**



Monitoring and Cleanup includes:

- Superfund
- Brownfields/voluntary cleanup
- Leaking underground storage tanks
- Closed landfills/Metro landfills

Waste Management includes:

- Under/aboveground storage tank
- Solid waste and hazardous waste permitting, compliance, and enforcement
- Household hazardous and special wastes

Air Quality includes:

- Permitting, compliance, and enforcement
- Mercury

Water Quality includes:

- Permitting, compliance, and enforcement
- Basin and watershed planning
- Feedlots
- Clean water partnership
- Septic systems
- Storm water

Other Environmental Protection Expenditures

Office of Environmental Assistance (OEA)

- Independent office which assists counties, local government units, businesses, and citizens of the state with waste prevention, resources, conservation, and other solid waste management issues.
- FY 2002-03 biennium budget approximately \$55.9 million.
- 40% of the OEA's budget comes from the general fund, 5% from the environmental fund, and 55% from the solid waste fund.

Department of Trade and Economic Development

- Provides cleanup grants to turn contaminated "brownfield" sites into developable land.
- FY 2002-03 biennial appropriation is \$19.4 million (\$7.0 million from the general fund, \$12.4 from the Petroleum Tank Release Cleanup Fund).

Department of Commerce

- Administers the Petroleum Tank Release Cleanup Program (Petrofund) with the PCA; Petrofund's money is raised by a 2-cent-per-gallon gas tax.
- Generally, reimburses up to 90% of cleanup costs for individuals who voluntarily elect to clean up petroleum-contaminated sites.
- FY 2002-03 biennial appropriation is \$2.1 million to the Department of Commerce and \$7.0 million to the PCA

Department of Agriculture

- Administers the Agricultural Chemical Response and Reimbursement Account that reimburses costs of certain cleanup activities associated with agricultural chemical spills.
- The legislature does not make a specific appropriation to the Department of Agriculture for this program.
- Money for this program is raised through fees on the sale of agricultural chemicals and surcharges on certain license applications.

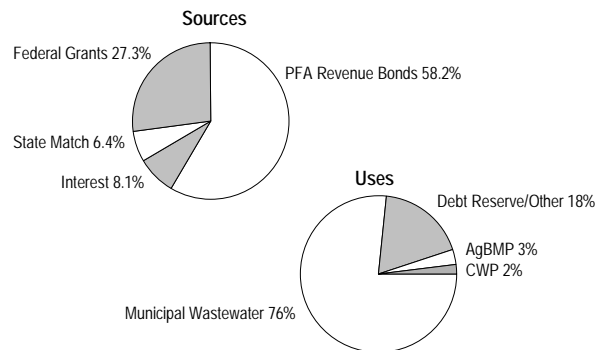
Public Facilities Authority

The Public Facilities Authority (PFA), created in 1987, provides low-interest loans and other assistance to local governments for wastewater treatment and other public infrastructure projects. Its board consists of the commissioners of trade and economic development (chair), finance, pollution control, agriculture, health, and transportation. Funded projects must be certified by the appropriate agency. The Department of Trade and Economic Development provides administrative services to the PFA.

Water Pollution Control Revolving Fund: \$1.34 billion 1989-2002. Sources include federal grants, state matching funds, PFA revenue bonds (principal amount of revenue bonds issued and outstanding at any time may not exceed \$1 billion), and interest earnings. Loans are for:

- municipal wastewater treatment facilities projects;
- the agricultural best management practices (AgBMP) loan program to address nonpoint rural water pollution associated with agricultural production, administered by the Department of Agriculture;
- clean water partnership (CWP) loan program to address nonpoint pollution affecting specific bodies of water, administered by the Pollution Control Agency; and
- tourism loan program and small cities septic system loan program.

Water Pollution Control Revolving Fund (\$1.34 billion in 1989-2002)



Other PFA Programs

Wastewater Infrastructure Program (WIF): \$82,311,921 appropriated 1992-2002.

Provides supplemental assistance grants to municipalities for wastewater treatment projects, based on need. Grants are provided together with revolving fund loans or to match grants provided by USDA Rural Development.

Drinking Water Revolving Fund: capitalized with \$166.35 million 1998-2002; 65% federal, 17% state, 13% revenue bonding, 5% net revenues.

For loans to municipalities to provide safe drinking water.

Transportation Revolving Loan Fund: capitalized with \$58.6 million 1997-2002; 60% federal, 40% state.

Provides below-market rate financing to governmental entities for transportation-related projects.

County Credit Enhancement Program:

Provides a limited state guarantee for certain bonds issued by counties to build jails, correctional facilities, law enforcement facilities, social and human services facilities, and solid waste facilities. As of October 1, 2002, the total principal on bonds, plus interest on the bonds, enrolled in the program through 2022 is approximately \$12.4 million.

Index

A

age	9, 10
agriculture.....	82-84
employment	12
gross state product	12

B

Board of Water and Soil Resources.....	87
bonding.....	43, 44

C

Child Care Assistance.....	63, 69, 70
Children's Health Insurance Program	65
cities	24
most populous.....	9
property tax levy	38
revenues.....	42
corrections	74-77
counties.....	24
median age.....	10
population	10
property tax levy	38
revenues.....	42
unemployment	13
Court of Appeals	19
crime	
adult offenders	75, 76
incarceration	74
juvenile offenders	77
rates.....	74

D

debt	
local government	44
regional government	45
state.....	43
Department of Corrections	74
Department of Natural Resources.....	85, 86

E

education, early childhood.....	54, 55
education, higher	
enrollment.....	56-58

financial aid	59, 60
Higher Education Service Office	59
median age by county	10
tuition	58
tuition reciprocity.....	61
education, K-12	
administrators	50
basic standard tests.....	52
enrollment	49
profile of learning	53
revenue and expenditures.....	51
teachers	50
elected officials.....	17, 21
Emergency Assistance.....	63
employment	
executive branch	18
growth by industry	12
judicial branch	19
local government.....	25
public pensions	26
environment	
natural resources	85-87
protection	88-92

F

family assistance.....	62-64, 66-68, 70-73
Food Stamps	63, 73

G

gambling	36, 37
General Assistance	63, 68
General Assistance Medical Care.....	63, 65
gross state product	12
Group Residential Housing.....	63, 68

H

high school graduation rule	52
Higher Education Service Office.....	59
highways.....	78
funds	79
House of Representatives	21
HUD Rental Housing Assistance.....	63, 72

I	
income	
median family	11
per capita.....	11
J	
judicial branch	19, 20
L	
legislative auditor	21
legislative commissions and groups	21
legislature	21
local government	25, 26
revenues	42
taxes	42
M	
Medical Assistance	63, 64
Metropolitan Airports Commission.....	22, 23, 45
Metropolitan Council.....	22, 23, 45, 80
metropolitan government.....	22, 23
Metropolitan Mosquito Control Commission.....	22, 23
Metropolitan Parks and Open Space Commission	22
Metropolitan Sports Facilities Commission	22, 23
Minnesota Family Investment Program.....	63, 66, 67
Minnesota House Finance Agency	71
Minnesota State Colleges and Universities	57
Minnesota Supplemental Aid	63, 68
Minnesota Supreme Court	19
MinnesotaCare.....	63, 64
N	
natural resources	85-87
P	
pension plans	26
pollution control	88-91
Pollution Control Agency	88, 89
population	9, 10
by type of municipality	24
Prescription Drug Program.....	63, 65
prisons	75, 76
profile of learning	53
property tax.....	38-41
public defense system.....	20
Public Facilities Authority.....	91, 92

R

race	
executive branch employment	18
incarceration rate.....	74
population	9
revisor of statutes.....	21

S

salaries	
commissioners'	17
constitutional officers	17
elected officials	21
teachers	50
school districts	25
property tax levy	38
revenues	42
Senate	21
special purpose districts.....	25
state departments	17
state government	
employment	12
gross state product	12
State Housing Assistance.....	63, 71
state revenues.....	29
state spending	29, 30
Supplemental Security Income	63, 73

T

taxes.....	31-41
cigarette and tobacco products	35
corporate franchise (income)	34
individual income	32
insurance premiums	35
MinnesotaCare	35
mortgage and deed	35
motor vehicle fuels.....	34
motor vehicle registration (license).....	34
other state.....	34, 35
property	38-41
sales	33
statewide property	34
teachers	50
pension plans	26

towns	25
property tax levy	38
revenues	42
transit	22
greater Minnesota	81
metropolitan area	80
transportation	78-81
employment	12
gross state product	12
Transportation Advisory Board	22

U

unemployment	13
University of Minnesota	56

W

wastewater	22, 91, 92
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